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THE LEGACY OF THE CORPORATIST STATE:  
EXPLAINING WORKERS' RESPONSES TO  
ECONOMIC LIBERALISATION IN EGYPT

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by

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## INTRODUCTION

Since 1991, the Egyptian government has embarked on a radical reform of the economy through the implementation of a structural adjustment package and various economic liberalisation measures, including the privatisation of the public enterprise sector. Together, these economic policies represent a radical change in the nature of the Egyptian state. Until recently, Egypt had one of the largest public sectors in the world in relation to its GDP.<sup>1</sup> The public sector was the employer of almost half the non-agricultural work force.<sup>2</sup> Through the public sector, the state provided subsidised goods and services for the general population. These distribution policies were aimed at incorporating the urban and rural lower and middle classes (the 'popular sector') into the state structures. The incorporation process was formalised through the creation of organisations, such as the trade union federation, professional syndicates, and agricultural co-operatives. Together, these constitute the main features of 'state corporatism'—"a system of interest and/or attitude representation, a particular modal or ideal-typical institutional arrangement for linking the associationally organised interests of civil society with the decisional structures of the state."<sup>3</sup>

The problem that this paper will attempt to examine is how economic liberalisation and the restructuring of the state's economic role affects corporatist structures, and how in turn this will affect the nature of politics in Egypt. This will be achieved by focusing on the political responses of workers to these new economic policies. The political responses to economic liberalisation have yet to be substantially considered by those studying this

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<sup>1</sup> Ali E. Hillal Dessouki, "The Public Sector in Egypt: Organisation, Evolution and Strategies of Reform", in Heba Handoussa and Gillian Potter (eds.), *Employment and Structural Adjustment* (Cairo: The American University in Cairo Press, 1991), pp. 261.

<sup>2</sup> *Ibid.*, pp. 263.

<sup>3</sup> Philippe C. Schmitter, "Still the Century of Corporatism?", *The Review of Politics*, vol. 36, no. 1, January 1974, pp. 86.

subject.<sup>4</sup> This absence of the 'political' stands in contradistinction to the abundance of material which currently exists on the 'economic' aspects of economic liberalisation.<sup>5</sup> There is currently little attempt to link these economic changes to political changes, or to treat those affected by economic liberalisation policies as other than victims of circumstances, rather than political actors who respond to the developments around them.

The paper will focus on public sector workers due to their (previous) importance as a pillar of the state through their incorporation within the trade union federation. Also, public sector workers have a distinct relation to the state, as both employees and consumers, whereas, all other workers are consumers alone of public sector goods and services. Consequently, public sector workers have felt the effects of economic liberalisation and privatisation in a different way than non-public sector workers. However, those parts of the paper that discuss workers' relation to the state as consumers are applicable to workers in general.

It is true that workers are not a homogeneous group, and may have various needs (either actual or perceived) according to their gender, age, religion or ethnicity. Nevertheless, all workers share an interest in guaranteeing an adequate standard of living for themselves and their families, as do other sections of society. Workers can be distinguished from other societal groups due to their relation to the means of production; that is, they must sell their labor in order to earn a living. Any modifications to the available ways for

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<sup>4</sup> With the exception of Marsha Pripstein Posusney, "Labor as an Obstacle to Privatization: The Case of Egypt", in Iliya Harik, and Denis J. Sullivan (eds.), *Privatization and Liberalization in the Middle East* (Bloomington & Indianapolis: Indiana University Press, 1992); Omar El Shafei, "Workers, Trade Unions and the State in Egypt: 1984-1989", *Cairo Papers in Social Science*, vol. 18, monograph 2, Summer 1995; Hala Shukr Allah, "al-Awda' al-iqtisadiya wa istratijiyyat al-baqa' al-khasa bi-l-fuqara' fi Misr" [Economic conditions and the strategy for survival relating to the poor in Egypt], (Cairo: Center for Trade Union and Workers' Services, 1997); and, Huwayda 'Adli, "al-Haraka al-'ummaliya wa aliyat muqawamat al-ifqar: 1987-1993" [The labour movement and the mechanics of resisting impoverishment: 1987-1993], (Cairo: Center for Trade Union and Workers' Services, 1997).

<sup>5</sup> Economic liberalisation and privatisation in Egypt has been closely documented by all sorts of concerned parties, such as the various UN agencies, USAID, and the Social Fund for Development.

workers to sell their labour have an important influence over their standard of living. Therefore, workers are acutely sensitive to the effects of changes in the economic system, they react to these changes in order to guarantee their previous standard of living.

Nazih Ayubi's comprehensive study of the Arab state provides the theoretical basis for this dissertation.<sup>6</sup> Ayubi identifies Antonio Gramsci's definition of the state as being the most useful for studying politics in the Arab world. According to Gramsci, the state is, "the entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules."<sup>7</sup> For Gramsci, dominance is not only a question of coercion, but also of persuasion. This type of dominance he termed 'hegemony', which is similar to but more comprehensive in meaning than Weber's concept of 'legitimacy'.<sup>8</sup> The mechanisms of coercion are located within political society—such as the army and police. The mechanisms of persuasion are located within the institutions of civil society such as the education system, the media, organised religion, interest groups, and the family—and they serve to promote the state's values.<sup>9</sup> To summarise, the state = political society + civil society.<sup>10</sup>

In the case of the Arab world, Ayubi argues, the state has developed 'corporatist' mechanisms in order to achieve hegemony over its citizens.<sup>11</sup> Corporatism is a type of state-society relations that is based on the linking of groups, classes, and individuals to the state through various means (e.g., patronage, clientelism, welfare measures, etc.), and through various 'organisational' modalities (trade unions, networks, 'shillas', etc.).<sup>12</sup> In

<sup>6</sup> Nazih Ayubi, *Over-stating the Arab State: Politics and Society in the Middle East* (London: I. B. Tauris, 1995).

<sup>7</sup> cited in *Ibid.*, pp. 5.

<sup>8</sup> *Ibid.*, pp. 6.

<sup>9</sup> *Ibid.*, pp. 6.

<sup>10</sup> cited in *Ibid.*, pp. 6.

<sup>11</sup> *Ibid.*, pp. 34–35.

<sup>12</sup> *Ibid.*, pp. 35.



countries such as Egypt, state corporatism was a historical necessity for enabling capitalist accumulation and state building in the postcolonial era.<sup>11</sup> The state was forced to re-engineer societal relations in order to marginalise those elements that still supported the pre-colonial arrangements, such as the large landowners, while co-opting those sections of society that would support the state's new development strategy of import substitution industrialisation (ISI).

ISI relied particularly on the productive abilities of the urban working class, the consumptive abilities of the urban population, and the extraction of capital from the agricultural sector. Therefore, it was essential for the state to gain the support of these different sections of society. This was achieved by offering benefits to these groups such as employment security, improved working conditions, and free education and health insurance. Moreover, the state granted these benefits not as privileges, but as rights, that were inscribed in the constitution. These social and economic rights were offered in compensation for the withdrawal of political and civil rights.<sup>12</sup> The production and distribution of these goods and services was facilitated through the creation of a large public sector. The expansion in the state's production and distribution capabilities was made possible by the growth of the economy during the early years of the ISI strategy.<sup>13</sup>

On the ideological level, the state attempted to strengthen corporatist structures by promoting a nationalist discourse that emphasised the importance of national unity as a means of state-building. Workers had a special position within this discourse since they were called on to use their productive efforts to contribute to the development of the nation. This had the effect of maintaining a strong feeling of patriotism among workers, which in turn downplayed class divisions within society and delegitimised any challenges to regime authority.

Individuals and groups have been linked to the state as either producers or consumers of public sector goods and services (or both, in the case of public

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<sup>11</sup> *Ibid.*, pp. 192.

<sup>12</sup> *Ibid.*, pp. 33.

<sup>13</sup> *Ibid.*, pp. 217.



sector workers). The state has created these linkages by the establishment of a whole range of organisations and associations, such as the trade unions, professional syndicates, agricultural co-operatives, consumer co-operatives, and private voluntary organisations. As a result of these corporatist arrangements, politics in the Arab world is not a question of voting in elections or joining political parties (that is, exercising civil and political rights), but rather one of gaining access to socio-economic resources, or 'consumption',<sup>16</sup> (that is, exercising social and economic rights). For the state, politics has become an act of deciding how and to whom to distribute its patronage.

There are a number of ways in which individuals and groups within a corporatist state can gain access to socio-economic resources. First, there are the 'formal' channels created by the state, such as the trade unions and other corporatist associations. Second, there are the less 'formal' clientelistic networks which often rely on kinship and community relations. However, the distinction between the formal and the less formal is often difficult to distinguish. For example, kinship networks may be used within trade unions as a means of gaining access to more goods and services.

Whether 'formal' or 'informal', these different networks reinforce the importance of vertical linkages, since access to resources is predicated on the ability of an individual or group to link up to someone higher in the hierarchy until the chain stops at the source of all goods and services: the state. Therefore, an individual may find themselves as part of a vertical linkage, such as family or tribe, as well as a horizontal linkage, such as class. This means that workers may seek solutions other than collective action based on class as a way to secure their interests.<sup>17</sup>

During periods of economic expansion, corporatist arrangements appear to be an efficient way to organise societal interests. In a country such as Egypt, where the postcolonial regime lacked a social power base upon coming to power, corporatist arrangements allowed the creation of a class alliance that supported the regime. Corporatism also gave the state some autonomy from its

<sup>16</sup> Diane Singerman, *Avenues of Participation* (Cairo: The American University in Cairo Press, 1997), pp. 245.

<sup>17</sup> *Ibid.*, pp. 175.

citizens in the political sphere. As long as the state included its allies economically, it could exclude them politically.

However, corporatist arrangements are based on two contradictory processes: investment (in production) and consumption (of welfare goods and services). By the end of the 1960s, it had become apparent that these two processes were simultaneously unsustainable. The public sector was unable to produce the goods and services necessary to maintain the corporatist structures at the same rate that they were being consumed. This was due to the fact that the state was unable to extract economic resources from its citizenship to invest in the production process without offering political rights in return.<sup>18</sup> Since the state's hegemony is dependent on its ability to provide socio-economic goods and services, when the state is unable to fulfil these promises, its entire legitimacy is called into question.<sup>19</sup> This poses the regime with a dilemma: whether to pursue its production role, or its welfare role.<sup>20</sup> To a certain extent, from the mid-1970s until the mid-1980s, the international environment allowed Egypt to solve this dilemma. The oil boom and the Cold War made Egypt a recipient of considerable sums of economic rent that could be used for investment purposes.<sup>21</sup> This enabled the state to continue both its production and welfare functions. However, from the mid-1980s onward, this rent began to evaporate due to the fall in oil prices and the end of the US-Soviet conflict. The result, today, is a fiscal crisis which the state must solve domestically, through economic liberalisation and a restructuring of its relations with society.

Before considering the types of workers' responses to economic liberalisation, Part One of this paper will provide a historical framework through which to understand current worker strategies, based on the development of state-worker relations since 1952. Part Two will look at the measures taken by the state to contain the opposition of workers and trade unionists to economic liberalisation. Parts Three and Four take a closer look at the types of responses to economic liberalisation and privatisation articulated by workers. These

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<sup>18</sup> See Mark Cooper, *Egyptian Arab Socialism and Its Breakdown*, unpublished doctoral dissertation (Northeastern University, Boston, Massachusetts, 1981), Ch. 4.

<sup>19</sup> Ayubi, *op. cit.*, pp. 450.

<sup>20</sup> Cooper, *op. cit.*, Ch. 4.

<sup>21</sup> Ayubi, *op. cit.*, pp. 219.

responses are divided into 'formal' (Part Three) and 'informal' (Part Four), although it is stated that there is no clear dividing line between the two categories. The distinction is rather in their relation to the state and the state's attitude toward them. Finally, after explaining the nature of workers' responses in relation to the structures of the corporatist state and the changes within these structures as a result of economic liberalisation, there will be some attempt to predict the future of politics in Egypt with relevance to workers.

*SCS*

## PART ONE

### WORKERS AND THE CORPORATIST STATE

This part seeks to set the context for worker responses to economic liberalisation and privatisation by examining the nature of state-worker relations between 1952 (when the Free Officers came to power) and 1991 (when the Economic Reform and Structural Adjustment Program began). A knowledge of the political, economic, and social structures laid in place during this period is crucial to understanding both the nature of Egyptian politics today, and its influence on workers' reactions to economic liberalisation measures.

Using Guillermo O'Donnell's model of bureaucratic authoritarianism, Huwayda 'Adli identifies two key periods in the development of state-worker relations in post-Revolution Egypt: inclusionary corporatism (1952-76) and exclusionary corporatism (1976-81). Inclusionary corporatism (mainly under Gamal 'Abd al-Nasser) corresponds to the period of import substitution industrialisation (ISI), where the state promoted domestic industry, accompanied by populist measures, such as the extension of welfare and income redistribution measures. Exclusionary corporatism (mainly pursued under Anwar al-Sadat) corresponds to the period of 'incorporation into the world capitalist economy', that is, an opening (or reopening) to the world capitalist economy in terms of attracting foreign investment and promoting an export-led strategy, as a means of carrying out the industrialisation deepening that had failed under Nasser. Politically, this necessitated forming coalitions with the domestic and international entrepreneurial bourgeoisie, while excluding the 'popular' sectors which had benefited from the welfare measures of the previous era.<sup>22</sup>

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<sup>22</sup> Huwayda 'Adli, *al-'Ummal w-al-siyasa: al-dawr al-siyasi li-l-haraka al-'ummaliya fi Mistr min 1952-1981* [Workers and Politics: the political role of labour movement in Egypt 1952-1981] (Cairo: Kitab Al-Ahali, no. 45, 1993), pp. 355-58. John Waterbury also uses Guillermo's model to characterise the changes in the political

### *1952–1976: Inclusionary Corporatism and Import Substitution Industrialisation*

Immediately following the July Revolution, the Free Officers did not possess a systematic strategy for managing their relations with society. The main aims of the new regime were to prevent any opposition to its power. Therefore, it merely responded retroactively to events. The first major event where the regime demonstrated its attitude toward workers was through its brutal crushing of the strike against the management of a Kafr al-Dawwar textile factory, in August 1952.<sup>23</sup> These events demonstrated that the regime would not tolerate independent workers' actions, especially as it suspected that communist activists may have been behind the strikes.<sup>24</sup> Also, at this stage, the Free Officers wished to encourage private capital to develop the national economy, and they viewed left-wing influence and trade union militancy as a threat to this end.<sup>25</sup>

In an attempt to control worker activism, the regime issued Law no. 317/1952 (the law on individual contracts), which withdrew the right to strike and limited trade union pluralism by permitting no more than one trade union in each occupational category. However, the regime conceded to long-standing workers' demands, such as guaranteeing job security and improving work conditions. These measures were effective in winning the support of a significant number of trade unionists and workers.<sup>26</sup>

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economy of Egypt between 1930 and 1981. However, he characterises the period from 1930 to 1952 as the 'easy' ISI phase, which was exclusionary, and the period from 1952 to 1979 as the 'difficult' phase of industrialisation deepening, which was more 'inclusionary'. See John Waterbury, *The Egypt of Nasser and Sadat* (Princeton University Press, 1983), pp. 6–10.

<sup>23</sup> For a detailed account of the incidents, see Joel Beinin and Zachary Lockman, *Workers on the Nile* (London: I.B. Tauris, 1988), pp. 421–26.

<sup>24</sup> *Ibid.*, pp. 425.

<sup>25</sup> Joel Beinin, "Labor, Capital, and the State in Nasserist Egypt, 1952–1961", *International Journal of Middle East Studies*, vol. 21, Fall 1989, pp. 73.

<sup>26</sup> Beinin and Lockman, *op. cit.*, pp. 432–33.



The reactions of the trade unionists and workers to the new regime may be explained by previous industrial relations in Egypt. First, by providing job security and other workplace guarantees, the state carried on the tradition of paternalism that had previously existed between factory owners and their employees. This linked Egyptian workers to the regime as clients and limited their autonomy.<sup>27</sup> Furthermore, the regime appeared to be the embodiment of the nationalist struggle against British occupation. During this struggle, deep linkages between workers' and the nationalist movement had evolved, greatly influencing the political outlook of the former, but also reducing their political autonomy:

*The specific character of the Egyptian workers' movement was shaped by the facts that from 1882 to 1956 Egypt was subject to British colonial domination and that until the late 1930s nearly all of the large-scale employers were also foreigners whose economic power was enhanced and protected by the British occupation. Under these conditions economic demands and demands for greater autonomy and respect in the workplace were seen as part of the nationalist struggle. ... Subsequently there was never, in the minds of most worker activists, a clear distinction between the economic demands of workers and the political demands of the nationalist movement. Both were perceived as part of the same struggle for Egyptian self-determination.<sup>28</sup>*

Despite the regime's move to legislate in favour of employment security, there were significant numbers of job losses due to a downturn in the economy following the end of World War II. As a result, the period from 1952 to 1958 witnessed three times the number of labour disputes than the seven-year period preceding 1952.<sup>29</sup> The dramatic increase in strikes, despite their illegality, may be attributed to workers' beliefs that the new regime would intervene on their behalf to rectify the injustices they suffered at the hands of their employers.<sup>30</sup>

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<sup>27</sup> *Ibid.*, pp. 447.

<sup>28</sup> *Ibid.*, pp. 450.

<sup>29</sup> Beinín, *op. cit.*, pp. 76.

<sup>30</sup> *Ibid.*, pp. 77.



The sequestration of foreign-owned capital in Egypt, following the Suez Crisis in 1956, led to a significant enlargement of the state's ownership of manufacturing and financial enterprises and the design of the first five-year industrial plan in 1957.<sup>31</sup> This marks the beginning of statist economic policies, accompanied by further measures to curtail the political independence of the trade union movement, especially in light of the fact that the state had become a significant employer.<sup>32</sup>

The regime's concession to the trade unions' desire to form the General Federation of Egyptian Trade Unions (GFETU), on 30 January 1957, represents the regime's recognition of the need to create a mechanism for co-opting trade union leaders in order to exert control over labour. The selection of the GFETU's executive board was determined solely by the government. The appointment of Ahmad Fahim, a representative of the textile workers, some of the most militant workers in the Egyptian labour force, and the only member of the executive board with a history of association with the left, illustrates the regime's tactic of co-opting in order to control.<sup>33</sup>

Between 1959 and 1964 a set of laws were laid down governing all aspects of employment and trade union organisation in Egypt. The 1959 law created the pyramid structure of the trade unions, with company unions at the base, grouped together according to field of activity in national unions. The national unions formed the middle layer of the pyramid, and at the top, supervising them all, was the GFETU.<sup>34</sup> A new post of minister of labour was created, with the powers to seek the dissolution through the courts of any union opposing the constitution. The new national unions were granted increased powers in the field of collective negotiation of work contracts and greater responsibilities in the spending of membership dues on the provision of health, social, cultural,

<sup>31</sup> Alan Richards, and John Waterbury, *A Political Economy of the Middle East* (Cairo: The American University in Cairo Press, 1991), pp. 195.

<sup>32</sup> Patrick Clawson, "The Development of Capitalism in Egypt", *Khamzin*, no. 9, 1981, pp. 99.

Beinin, *op. cit.*, pp. 75; Robert Bianchi, *Unruly Corporatism* (New York & Oxford, Oxford University Press, 1989), pp. 129.

<sup>34</sup> Adli, 1993, *op. cit.*, pp. 161.

and professional services and the establishment of saving funds, co-operatives, and athletic and cultural clubs for their membership.<sup>35</sup>

In July 1961, following a period of deep mistrust between the regime and the private sector, the public sector was again expanded by means of the sequestration and nationalization of the majority of private enterprises.<sup>36</sup> The regime created its first economy-wide five-year plan. "[It] embodied a straightforward ISI strategy, combining aspects of the easy (textiles, sugar, automobile assembly, pharmaceuticals) and hard (heavy engineering, steel, chemicals, and fertilizers) ".<sup>37</sup>

This prompted yet another revision of previous laws governing worker-employer relations and the role of the unions. Law 62/1964 reinforced previous provisions restricting the formation and activities of trade unions, with the number of national unions being reduced from 59 in 1959, to 28 in 1964.<sup>38</sup> However, the provisions formerly preventing unions from carrying out political, religious, and entrepreneurial activities were repealed in order to facilitate the trade unions' 'contribution to national development'.<sup>39</sup> Workers were granted new rights in the workplace. The workweek was reduced to 42 hours, the minimum wage was doubled, and a social insurance scheme was introduced. The state guaranteed employment in the civil service for all university graduates and in public enterprises for all secondary school certificate holders. Worker representation was introduced on the boards of management of all public sector firms, while all state employees were entitled to a share in company profits.<sup>40</sup>

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<sup>35</sup> *Ibid.*, pp. 145.

<sup>36</sup> Clawson, *op. cit.*, pp. 100.

<sup>37</sup> Richards, and Waterbury, *op. cit.*, pp. 196.

<sup>38</sup> Nazih Ayubi, *Bureaucracy and Politics in Contemporary Egypt* (London: Ithaca Press, 1980), pp. 452.

<sup>39</sup> Bianchi, *op. cit.*, pp. 128.

<sup>40</sup> Robert Mabro, *The Egyptian Economy 1952-1972* (Oxford: Oxford University Press, 1974), pp. 154-60.

With the state undertaking the unions' traditional role of 'protecting workers' rights', the unions were reduced to carrying out technical functions, such as raising productivity and efficiency, and mobilising support for government policies.<sup>41</sup> The centralisation of the trade unions, and the emergence of an "authoritarian 'workers' aristocracy" with wide, government-granted powers, were manifestations of the trend toward bureaucratisation and the negation of an independent political role for the trade unions.<sup>42</sup>

Workers were further co-opted into the state through the creation of the Arab Socialist Union (ASU) in 1962. The ASU was created as a mechanism for mobilising the 'working forces of the people'—that is, workers, peasants, intellectuals, soldiers, and the national bourgeoisie—and 50 percent of seats within the organisation were reserved for workers and peasants. However, the category of worker was considerably expanded by the rising elites, so that technocrats, managers, and professionals could occupy more than their fair share of seats at the expense of workers and peasants in the strict sense of the term.<sup>43</sup>

Meanwhile, workers benefited from the success of the ISI strategy in its early years. One million new jobs were generated and growth rates of 6 percent per annum were recorded.<sup>44</sup> This enabled the state to universally extend public services, such as health care and education, to subsidise food, transportation, and utilities, and to provide inexpensive state sector housing. These social policies helped to build popular support for Nasser's regime.

To a certain extent, the system of corporatism appeared to lead to unprecedented political stability. Worker quiescence largely characterises the period from 1958 onward. This is not surprising in view of the fact that collective action was illegal. The vertical stratification of the trade unions and the differentiation of labour from the liberal professions also made collective organisation highly difficult. On the ideological level, the regime's economic nationalist discourse helped to delegitimise work stoppages or any other

<sup>41</sup> Ayubi, 1980, *op. cit.*, pp. 453–55.

<sup>42</sup> *Ibid.*, pp. 455; Bianchi, *op. cit.*, pp. 128.

<sup>43</sup> Ayubi, 1980, *op. cit.*, pp. 446–47.

<sup>44</sup> Richards, and Waterbury, *op. cit.*, pp. 196.

actions that could threaten production.<sup>45</sup> Indeed, even the word 'strike' disappeared from public vocabulary.<sup>46</sup> Meanwhile, the regime's strongly anti-imperialist stance, enthusiastically supported by the Marxist intelligentsia, made it even more difficult for the concept of class conflict to exist, since workers were supposed to stand against the imperialists, and not against compatriot capital.<sup>47</sup> However, despite these ideological barriers to class-based action, workers and their leaders often interpreted nationalist discourse in a radical way that supported workers' rights.<sup>48</sup>

However, this political stability was interrupted as soon as the weaknesses of the state's economic policies began to appear. After 1965, there were signs of worker unrest as the ISI strategy began to feel the effects of deep structural problems. The regime's goals of expanding production and consumption simultaneously could not be reconciled. Egypt's industries were unable to compete in the world market and attract the foreign currency needed to finance the importing of capital goods needed for continued industrial expansion.<sup>49</sup> As a result, the foreign trade deficit rose to fill the gap between limited domestic resources and expanding domestic consumption.<sup>50</sup>

In an attempt to slow down Egypt's growing foreign debts, obligatory salary deductions for the purpose of a savings plan were introduced for all public employees. Several factories were closed and some prices and taxes were increased.<sup>51</sup> A number of strikes erupted at the end of 1966 in response to deteriorating economic conditions, and there were cases of workers evading

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<sup>45</sup> Anouar Abdel-Malek, *Égypte: Société Militaire* (Paris: Editions du Seuil, 1962), pp. 318.

<sup>46</sup> Beinin, *op. cit.*, pp. 86.

<sup>47</sup> *Ibid.*, pp. 87.

<sup>48</sup> *Ibid.*, pp. 83.

<sup>49</sup> Clawson, *op. cit.*, pp. 106-07.

<sup>50</sup> Cooper, *op. cit.*, Ch. 4 (copy not paginated).

<sup>51</sup> Waterbury, *op. cit.*, pp. 93-97, 409.

disciplinary measures, slowing down work, and even breaking machines—all considered serious infractions.<sup>52</sup>

Following the 1967 defeat, living standards fell further. The workweek was increased from 42 to 48 hours without compensation, forced savings were increased, and paid holidays were cancelled in some plants, all in the name of sacrifice for the 'battle'.<sup>53</sup> Real wages fell in 1967 to below their pre-war levels.<sup>54</sup> Then, in February 1968, following the trial in which the military generals were found responsible for the 1967 defeat, a wave of protests broke out among workers and students, beginning with the Helwan workers' demonstrations. Although the protests were directed against the 'show' trials of the generals,<sup>55</sup> they illustrated a much deeper rejection of the regime and its policies. The economic bankruptcy of the ISI strategy also meant the political bankruptcy of Nasser's 'Arab socialism'. The legitimacy of the regime had been built upon the production and distribution capabilities of the state. Once these abilities came into question, the whole basis of the regime came to be questioned by society.<sup>56</sup> The great losses suffered by the Arab 'socialist' countries at the hands of Israel in 1967 only served to further discredit the regime in the eyes of its citizens.

Following the protests of February 1968, there were moves to reform the public sector, and to introduce 'scientific and economic management'.<sup>57</sup> These measures were seen as a turn away from the former 'populist' alliance of forces toward a more anti-populist alliance of technocrats and private capital.<sup>58</sup> Despite this new political direction, in addition to Nasser's death in 1970,

<sup>52</sup> Mahmoud Hussein, *Class Conflict in Egypt, 1945-1970* (New York: Monthly Review Press, 1973), pp. 234-37.

<sup>53</sup> cited in Marsha Pripstein Posusney, "Collective Action and Workers' Consciousness in Contemporary Egypt", in Zachary Lockman (ed.), *Workers and the Working Classes in the Middle East* (New York: SUNY Press, 1994), pp. 218-19.

<sup>54</sup> cited in *Ibid.*, pp. 219.

<sup>55</sup> Hussein, *op. cit.*, pp. 292-97.

<sup>56</sup> Cooper, *op. cit.*, Ch. 4.

<sup>57</sup> 30 March 1968 Statement, cited in *Ibid.*, Ch. 4.

<sup>58</sup> *Ibid.*, Ch. 4.



there was little political ability, or will, to reverse the Nasserist welfare policies and to extract the domestic resources required to solve the economic gap between income and expenditure.<sup>59</sup>

### *1974–1989: Incorporation into the World Capitalist Economy and Exclusionary Corporatism*

It was not until after the 1973 war and the simultaneous rise in oil prices, that a new economic strategy was attempted by President Anwar al-Sadat. Capital inflows from the oil-exporting states and Egyptian migrant workers' remittances from the Gulf states provided Sadat with the additional funds needed to bridge the gap between the provision of a welfare state and the liberal economic policies that were needed to pull the Egyptian economy out of its stagnation.<sup>60</sup> The new policy of *al-infitah*, or the 'Open Door Policy', mainly consisted in attracting capital from the oil states of the Gulf, enticing Western investment and technology through joint ventures with Egyptian public or private enterprises, promoting exports and the private sector, and improving the productivity and competitiveness of the public sector.<sup>61</sup>

This change in economic policy not only represented an attempt to restructure the economy but also necessitated an adjustment of political coalitions. The Egyptian regime needed to forge alliances with the West and the conservative Gulf states in order to obtain much-needed foreign exchange and direct investment.<sup>62</sup> Domestically, there were attempts to politically incorporate the national private sector bourgeoisie into the decision-making process, for example, through Sadat's creation of the Egyptian–American Businessmen's Council in 1975.<sup>63</sup> On the executive level, the military continued to play a

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<sup>59</sup> *Ibid.*, Ch. 7.

<sup>60</sup> Richards and Waterbury, *op. cit.*, pp. 241.

<sup>61</sup> *Ibid.*, pp. 241.

<sup>62</sup> *Ibid.*, pp. 241.

<sup>63</sup> Ahmad Thabit, "Taghayur tabi'at wa dawr al-dawla al-misriya fi daw' al-numuw al-tabi' wa siyasat sanduq al-naqd al-dawli" [Change in the nature and role of the Egyptian state in the light of subsidiary development and IMF policy], in Samir Amin (ed.), *Al-Mujtama' wa-l-dawla fi-l-watan al-'arabi* [State and society in the Arab World] (Cairo: Maktabat Madbuli, 1996), pp. 123.



predominant role in the regime, but a class of technocrats, concerned with public sector efficiency, began to have an increasing influence over policy-making.<sup>64</sup>

The quest for public sector efficiency and private sector promotion, came at the expense of some of the pro-labour measures introduced under Nasser. In particular, Law 43/1974 on joint ventures led to many workers being suddenly deprived of the rights that they had previously enjoyed as public sector workers, such as profit-sharing and worker representation on boards of directors. This is due to the fact that workers in public enterprises that entered into joint ventures with foreign capital automatically came under the law governing private sector companies.<sup>65</sup>

Despite these attacks on workers' rights, there was little opposition immediately voiced against the *infitah* policy.<sup>66</sup> This may have been due to the fact that many workers benefited from *infitah*, for example, through the higher wages paid in joint venture enterprises.<sup>67</sup> Migration to the Gulf states provided opportunities for Egyptian workers to increase their incomes, while the shortage in skilled labour resulting from migration pushed up wages for those workers who remained in Egypt.<sup>68</sup>

However, there was opposition to the growing culture of conspicuous consumption of imported consumer goods which flowed into Egypt as a result of *infitah*. The perceived growing social inequalities that had not obviously existed under Nasser led many workers to stage protests during 1975 and 1976, despite the fact that average real wages were rising.<sup>69</sup> The culmination of this opposition to *infitah* came in 1977, with the eruption of mass protests on

<sup>64</sup> *Ibid.*, 1996, pp. 124.

<sup>65</sup> For further details of joint venture companies involving existing public enterprises and the consequences of these projects for public enterprise workers, see Marsha Pripstein Posusney, 1992, *op. cit.*, pp. 92–98.

<sup>66</sup> *Ibid.*, pp. 101.

<sup>67</sup> Waterbury, *op. cit.*, pp. 431.

<sup>68</sup> Joel Beinin, "Will the Real Egyptian Working Class Please Stand Up?", in Lockman (ed.), 1994, *op. cit.*, pp. 259–60.

<sup>69</sup> Pripstein Posusney, 1992, *op. cit.*, pp. 83.

the streets, led by workers and students, in response to the removal of subsidies on bread and other essential food items.<sup>70</sup>

Following this unrest, Sadat attempted to co-opt and control political dissent. To begin with, he offered a 'political exchange' of limited political liberalisation for political quiescence.<sup>71</sup> Controlled multiparty democracy was introduced in January 1977, with the authorisation of three political parties, representing the three different 'platforms'—left, right, and centre—from within the ASU. However, substantial restrictions were placed on the political parties, including stipulations that each party's program should differ from all other parties' programs (collectively) and that political parties should not challenge any of the articles of the constitution.<sup>72</sup>

The trade union leadership opposed the introduction of multiparty democracy, arguing that it would lead to national disunity.<sup>73</sup> The unions saw their position being eroded due to the fact that they were prevented from establishing a party to represent the interests of labour.<sup>74</sup> Although, in theory, the new political parties offered an opportunity for workers to express their demands, the new multiparty democracy actually resulted in the continuation of the strong clientelistic ties between the state and the trade unions through the party of the regime—the National Democratic Party (NDP).<sup>75</sup>

With regard to labour, the political liberalisation was illusory. Sadat introduced legislation that aimed at reinforcing the state's political control over the unions in an attempt to rein in the militant sections of the working class and promote the regime's new development strategy. Law 35/1976 further increased the powers of the GFETU and the minister of labour over the activities, finances, and formation of trade unions, to the extent of determining

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<sup>70</sup> Beinín, 1994, *op. cit.*, pp. 251–52.

<sup>71</sup> Ayubi, 1995, *op. cit.*, pp. 220.

<sup>72</sup> Nazih Ayubi, "Government and the State in Egypt Today", Charles Tripp and Roger Owen (eds.), *Egypt Under Mubarak* (London: Routledge, 1989), pp. 15.

<sup>73</sup> Adli, 1993, *op. cit.*, pp. 220–24.

<sup>74</sup> *Ibid.*, pp. 315–16.

<sup>75</sup> *Ibid.*, pp. 343–44.

union statutes and preventing the formation of new unions. Trade unions were given the responsibility of raising the efficiency and technical competence of workers and mobilising the energy of workers toward the achievement of state development plans. The law further incorporated national trade union leaders into the state bureaucracy by granting them the right to participate in the discussion of all legislation regarding social and economic development, in addition to extending the electoral term of union officials from two to three years.<sup>76</sup>

Even the limited political opening became unacceptable to Sadat following his much criticised visit to Jerusalem in 1977. Sadat attempted to quash all political dissent with the issuing of Law 33/1978, the Law on the Protection of the Internal Front and Social Peace, followed by Law 95/1980, the Law on the Protection of Morals from Shame. The two laws introduced new offences, such as harming 'national integration', 'social peace', or 'religious and community values'.<sup>77</sup> A 'Socialist Public Prosecutor' (SPP) was responsible for taking the necessary procedures to guarantee that these laws were enforced.<sup>78</sup> As a result of Law 33/1978, many candidates were disqualified from the trade union elections of 1979. However, they were able to appeal to the administrative courts, which overturned the SPP's decision. Subsequent to this, the candidates were allowed to stand in the elections and some of them won.<sup>79</sup> Some trade union leaders attempted to introduce a bill in 1983 to abolish the SPP's powers over the trade unions, but were unsuccessful.<sup>80</sup> Without doubt, these two laws led to much self-censorship on part of the trade unionists, in addition to providing ample ammunition for the regime against its opponents.

The political situation continued to deteriorate, and yet another law which centralised trade union powers was passed (Law 1/1981). The electoral office for trade unionists was increased further from three to four years. The GFETU

<sup>76</sup> *Ibid.*, pp. 151–53.

<sup>77</sup> Ayubi, 1989, *op. cit.*, pp. 4.

<sup>78</sup> Adli, 1993, *op. cit.*, pp. 306.

<sup>79</sup> *Ibid.*, pp. 306–07.

<sup>80</sup> *Ibid.*, 1993, pp. 308–10. The post of SPP was finally abolished by Presidential Decree no. 221/1994.

was granted the right to issue executive decrees and regulations regarding trade unions, and union committees were prevented from signing any collective agreement without the permission of the national union.<sup>81</sup>

The extent of opposition to Sadat's increasingly undemocratic measures was most dramatically illustrated by his assassination in 1981. His successor, President Hosni Mubarak, inherited not only the problems of Sadat's political liberalisation experiment, but also the economic problems of the *infitah* policy. The liberalisation of imports had exacerbated Egypt's balance of trade deficit. As a result, the foreign exchange gap continued to grow and, along with it, foreign indebtedness. External debt rose from approximately \$3 billion in 1974 to \$24 billion in 1985.<sup>82</sup> Deteriorating economic conditions and a falling standard of living provoked at least 50 strikes during 1985 and the first four months of 1986,<sup>83</sup> and 153 workers' protest actions during 1988 and 1989.<sup>84</sup> Trade union leaders responded to these strikes by fiercely condemning them, even when workers were attacked by the security forces.<sup>85</sup>

These strikes and the reactions of the trade unions to them demonstrated the extent to which the trade union leadership had become isolated from the rank-and-file through the increasing co-optation of union officials into the state bureaucracy. The top union leadership had become a self-perpetuating elite. By the mid-1980s, of the 23 general union presidents, 13 had been in office 10 years or more and four had managed to survive for at least 19 years.<sup>86</sup> By the end of the 1980s, three members of the GFETU board (which includes representatives of the 22 national unions) were members of the People's Assembly, another three were members of the Majlis al-Shura, and all but one were affiliated to the NDP.<sup>87</sup> Throughout the 1980s, the Mubarak government

<sup>81</sup> *Ibid.*, 1993, pp. 154–56.

<sup>82</sup> Richards, and Waterbury, *op. cit.*, pp. 242.

<sup>83</sup> cited in Beinun, 1994, *op. cit.*, pp. 262.

<sup>84</sup> Hassan Badawi, "al-Taharukat al-jama'iya li-l-'ummal, 1988–1991" [Collective Labour Movement in Egypt, 1988–1991], Kamal 'Abbas et al (eds.), *al-Haraka al-'ummaliya fi ma'arakat al-tuhawwil* (Cairo: Arab Research Center, 1994), pp. 48.

<sup>85</sup> See El Shafei, *op. cit.*, pp. 22–36.

<sup>86</sup> Bianchi, 1989, *op. cit.*, pp. 141.

<sup>87</sup> *Ibid.*, pp. 129.

sought the co-operation of trade union leaders in the implementation of unpopular measures, such as public sector reform (including a hiring freeze in public enterprises and management autonomy in setting bonuses and incentives) and the reduction in consumer goods subsidies (from 13 percent in the mid-1980s to 6 percent in 1988).<sup>88</sup> As a result, the national union leadership began to find itself increasingly in the contradictory role of representing the government while simultaneously appearing to represent the union movement.<sup>89</sup>

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<sup>88</sup> *Ibid.*, pp. 138; Heba Handoussa, "Crisis and Challenge: Prospects for the 1990s", in Handoussa and Potter (eds.), *op. cit.*, pp. 11, 14.

<sup>89</sup> Bianchi, 1989, *op. cit.*, pp. 139.

## PART TWO

### THE CORPORATIST STATE AND ECONOMIC LIBERALISATION

Many authors trace the beginnings of economic liberalisation to the Open Door Policy, or *infatih*. However, the emphasis during this period was on opening up the Egyptian economy to the world market in order to attract capital to solve domestic economic problems rather than restructuring the domestic economy in order to solve the problems at the expense of the Egyptian population. Then, by the mid-1980s it seemed that the Egyptian government could no longer delay the restructuring of its deteriorating economy. This period witnessed a massive drop in oil prices, costing Egypt 11 percent of GDP.<sup>90</sup> The Egyptian government was forced to turn to the International Monetary Fund (IMF) as a means of curing its crippling debts. In May 1986, the government agreed to a structural adjustment and stabilisation package, which included the reduction of public expenditure, unification of the exchange rate, increase in interest rates, liberalisation of pricing policies, and granting of more autonomy to the public sector.<sup>91</sup> But implementation of the reform measures was slow due to the government's apprehension over the political risks of radical restructuring.<sup>92</sup>

It was the Gulf War that marked the turning point for Egypt's economic liberalisation process. This was due to two factors. On the one hand, the war exacerbated Egypt's already mounting financial and economic problems. Growth had turned negative in the late 1980s; by 1990, the country had

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<sup>90</sup> Heba Handoussa, "Crisis and Challenge: Prospects for the 1990s", in Handoussa and Potter (eds.), *op. cit.*, pp. 4.

<sup>91</sup> *Ibid.*, pp. 10-15.

<sup>92</sup> Ayubi, 1995, *op. cit.*, pp. 346.



amassed international debts of nearly \$50 billion, and its debt/GNP ratio was approximately 150 percent. Real wages of unskilled workers had fallen by 40 percent in four years, while civil servants earned only about half of their 1973 salaries. Government health, transportation, and educational services had deteriorated enormously.<sup>93</sup> The return of 397,000 workers from Kuwait and Iraq not only represented huge losses in workers' remittances,<sup>94</sup> but also added to the burden of growing open unemployment in the country, which had roughly doubled during the decade.<sup>95</sup>

On the other hand, Egypt's participation in the Allied Coalition led to an influx of aid from the USA and the Gulf countries, including a reduction of \$20 billion of debt. The debt relief in particular made it easier for the political elite to accept the IMF conditions and to present them to the Egyptian public.<sup>96</sup> In May 1991, the government signed a new structural adjustment package with the IMF in return for continued debt relief by the Paris Club countries. The package committed the government to the aforementioned reform measures, in addition to the divestiture of state-owned enterprises.<sup>97</sup>

The new direction in economic policy has led to some restructuring of the socio-economic relations in society. New laws have been passed that shifted relations in favour of the private sector and private property at the expense of non-property-owners. This constitutes a substantial reversal of the policies of the Nasserist period. The major pieces of legislation that have gained the most attention include Law 96/1992 liberalising agricultural rents from their administratively set levels, and Law 4/1996 which amended the relations

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<sup>93</sup> *Ibid.*, pp. 225.

<sup>94</sup> The exact figure for remittances is difficult to ascertain given that most of this money does not go through official channels. See Ministry of Manpower & Training, UN Population Fund, International Labour Organization, *Survey of Returning Labor from Kuwait & Iraq as a Result of the Gulf Crisis* (Cairo: Ministry of Manpower & Training, 1992), pp. 21.

<sup>95</sup> Alan Richards, and John Waterbury, *A Political Economy of the Middle East* (Boulder, Colorado: Westview Press, 1996, second edition), pp. 225.

<sup>96</sup> *Ibid.*, pp. 227.

<sup>97</sup> World Bank, "Egypt: Financial Policy for Adjustment and Growth", vol. 1. (Cairo: World Bank, Egypt, 1993), pp. xxiv.

between new tenants and landlords in the field of housing, abolishing rent controls and the rights of tenants not to be evicted. Government economic policies during this period have also tended to negatively affect the standard of living of those on fixed and low incomes. Public expenditure was reduced, resulting in a cut in the deficit from over 20 percent of GDP before the Gulf War to 4.7 percent in 1992/93. By 1993/94, the overall budgetary deficit was only 2 percent of GDP.<sup>98</sup> This massive cut has mainly been achieved by reducing subsidies on goods and services, and introducing a regressive sales tax.<sup>99</sup> Between 1986 and 1996 prices rose fivefold.<sup>100</sup> As a result, the average real wage fell during this period by 10 percent.<sup>101</sup>

The most important part of the government's economic liberalisation program, and the one that has received the most attention, by both those for and against, has been privatisation. However, until recently, the rate of state divestiture has been slow. By July 1997, only 35 of the original 314 companies making up the public enterprise sector had come under private sector control, all in the fields of light industry and services, such as, flour mills, textiles, construction, pesticides, cement, food and beverages, hotels, and electronics.<sup>102</sup> The government has repeatedly failed to keep to its privatisation schedule, as agreed with the IMF. For example, government officials announced in February 1996 a list of more than 100 companies which would sell their shares that year, including companies considered 'strategic', such as, shipping agencies and the Egypt Aluminium Company. However, by August 1997, only 73 had actually sold any shares to the private sector, and the shipping agencies

<sup>98</sup> Richards, and Waterbury, 1996, *op. cit.*, pp. 227.

<sup>99</sup> Hans Löfgren, "Egypt's Program for Stabilization and Structural Adjustment: An Assessment", in *The Economics and Politics of Structural Adjustment in Egypt, Third Annual Symposium, Cairo Papers in Social Science*, volume 16, monograph 3, Fall 1993, pp. 22.

<sup>100</sup> Center for Trade Union and Workers' Services, "Ta'thir siyasat al-takayuf al-haykali 'Ala al-Awda' al-ijtima'iya wa-l-iqtisadiya li-l-'ummal wa fuqara' al-hadar" [The effect of the policy of structural adaptation on the social and economic conditions of the workers and urban poor], (Cairo: CTUWS, 1997), pp. 1.

<sup>101</sup> *Ibid.*, pp. 1.

<sup>102</sup> Information from the Public Enterprise Office, Ministry of the Public Enterprise Sector, June 1997.

and aluminium company were not among them.<sup>103</sup> The majority of divestiture that has taken place comprises share offerings on the stock market of minority stakes in companies (see Appendix Table 1). This type of 'privatisation' does not involve the state relinquishing its control over management, in addition to ensuring the diffusion of economic power over a large number of shareholders.

Due to the slow rate of state divestiture, the number of workers directly affected by privatisation, that is whose companies have come under the control of the private sector, still remains a minority of the work force at 42,220.<sup>104</sup> Far more workers—a total of 357,531<sup>105</sup>—have been affected by restructuring, which is being undertaken in 240 companies.<sup>106</sup>

The government's reluctance to accelerate the rate of state divestiture is indicative of the limits on the corporatist state in policy-making. In the past, the state's corporatist structures allowed it greater political autonomy from society. The state was responsible toward its citizens in the realm of distribution and welfare, but not in the realm of politics. As long as the state continued to grow and was able to provide goods and services for its citizens, there was little political opposition to the state's rule. Any opposition that did exist, such as the communists and the Islamists, was stamped out by the state's effective security apparatus, or was co-opted through the offering of various privileges and benefits, as was the case with the non-communist trade union leadership. These features of the corporatist state led many observers to label it a 'strong state'. However, as Nazih Ayubi has rightly pointed out, these apparent strengths were in fact symptoms of weakness. Corporatism and patronage actually reduce state autonomy by burdening the regime with economic responsibilities.<sup>107</sup>

<sup>103</sup> Compare information released by the Public Enterprise Office over this period.

<sup>104</sup> Figures from the Public Enterprise Office, Ministry of the Public Enterprise Sector, September 1997.

<sup>105</sup> *Ibid.*

<sup>106</sup> *Egyptian Gazette*, 30 July 1997.

<sup>107</sup> See Ayubi, 1995, *op. cit.*, Ch. 12.

With the onset of privatisation and economic liberalisation, the regime is increasingly unable to meet its financial responsibilities to its citizens without incurring the wrath of its creditors. As a result, the government has been forced to redefine the relationship between the state and its citizens, as noted above. The government has been particularly careful to minimise the risk of provoking widespread opposition among public sector workers, whose political quiescence is a prerequisite to the future success of economic liberalisation. There are a number of measures that the government has taken since 1991 in order to achieve this end.

### *The Government and Public Sector Managers*

The most important law redefining relations between the government and public sector managers is Law 203/1991 on the public enterprise sector. This law groups together the 314 public enterprises into 17 holding companies, each one representing a different economic sector, for example, metallurgical industries, chemical industries, spinning and weaving, etc. The holding companies have replaced the former public sector authorities which were affiliated to the relevant ministries.<sup>108</sup> The law gives public enterprises substantial autonomy from the state bureaucracy. Companies are no longer obliged to transfer to the state any of the previous disbursements for management, social insurance, welfare, etc.<sup>109</sup> Decisions on production and marketing are made by the directors of the holding and affiliated companies.<sup>110</sup> The law also puts public enterprises on a similar footing to private sector companies for the first time ever. Companies borrow from banks on commercial bases and are not able to rely on the state budgets for subsidies. Therefore, they must make profits or risk being liquidated, something which was unheard of before 1991.<sup>111</sup> Companies are responsible to their

<sup>108</sup> Article 2, Law 203/1991. Translation by Middle East Library for Economic Services, Cairo, 1991.

<sup>109</sup> Ayubi, 1995, *op. cit.*, pp. 349.

<sup>110</sup> Article 6, Chapter 1, Section 2, Law 203/1991.

<sup>111</sup> Article 38, Chapter 3, Section 1, Law 203/1991 authorises the liquidation of companies with the approval of the company extraordinary general assembly. Previously, there were cases of public enterprises being bankrupt in practice, but unable to be legally declared as such. For example, General Batteries Company stopped functioning in 1992 but was still paying 1,100 employees until 1997. See

shareholders, with profits being distributed equally among private and public shareholders.<sup>112</sup> In terms of labour regulations, affiliated companies have the powers to determine wages, salary increases, allowances, and leave policies (which were previously decided by the government).<sup>113</sup>

The holding companies have the responsibility to undertake the necessary procedures to sell or lease an affiliate to the private sector.<sup>114</sup> Part of the reason for the slow rate of privatisation may be attributed to the hesitancy of the holding companies in taking the initiative to sell. Some holding company executives are not willing to sell themselves out of their positions, while others do not wish to take the responsibility for decision-making.<sup>115</sup> In practice, the government still maintains a strong influence over the actions of public sector companies due to the fact that it is still the major shareholder in the majority of public enterprises. The Central Auditing Agency (the state auditor) must audit the accounts of any company in which the state has a stake.<sup>116</sup>

Nevertheless, the government is careful to make it appear like the public sector is no longer within its sphere of responsibility in order to distance itself from the measures taken by public sector managers to restructure their companies in preparation for privatisation. These measures are not popular with the public sector work force, given that they involve "undertak[ing] all actions required to rectify financial structures and improve unsuccessful companies, and to enhance their profitability and rationalise costs."<sup>117</sup> This is usually translated as laying off workers, reducing incentives and bonuses, and withdrawing company services, such as free transportation to and from work.

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International Business & Technical Consultants, Inc. *IBTCI Quarterly Review* Jan-Mar 1997 (Cairo: IBTCI, 1997), pp. 4.

<sup>112</sup> Ayubi, 1995, *op. cit.*, pp. 349.

<sup>113</sup> Article 42, Chapter 3, Section 3, Law 203/1991.

<sup>114</sup> Article 2, Chapter 1, Section 1, Law 203/1991.

<sup>115</sup> Mahmoud Mohieldin, Sahar Nasr, "Privatization in Egypt with Reference to the Experience of the Czech Republic and Mexico", paper given at a conference on, *The Privatization Debate in the Egyptian Parliament*, 22-25 November 1995, Alexandria, pp. 23.

<sup>116</sup> Article 35, Chapter 2, Section 5, Law 203/1991.

<sup>117</sup> Article 6, Chapter 1, Section 2, Law 203/1991.



In cases where disputes arise between management and workers over restructuring measures, the government often presents itself as a mediator, and sometimes seems to support the workers against their management. For example, 7,000 workers in a Kafr al-Dawwar spinning factory staged a sit-in on 30 September 1994 over management measures to reduce bonuses, refuse to pay overdue overtime pay, dismiss 2,000 workers on temporary contracts, and transfer 70 workers to other branches. The protest was also against the company union, which had supported these measures and refused to relay the workers' complaints to the company management. The workers called for the removal of the union officials, in addition to the company director. To begin with, the government responded by sending security forces to put down the protest. The result was the death of four civilians, including a 10-year old boy, and the wounding of dozens of others.<sup>118</sup>

Following the violent clashes between workers and the security forces, the government then took a conciliatory position toward the workers. Atel Ebeid, the minister of public enterprise, formed a committee to look at the workers' demands.<sup>119</sup> As a result, the government asked management to reinstate those who were dismissed and to cancel the reduction in incentives.<sup>120</sup> Furthermore, the chair of the company was forced to resign (although, he returned to his post within one month).<sup>121</sup> However, workers' demands to replace the company union officials were not met. This incident demonstrates how the government has reduced its financial responsibilities to the public sector, and to public sector workers, while still exerting considerable influence and control over the actions of both public sector managers and their employees.

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<sup>118</sup> Press release by the Egyptian Organization for Human Rights, 6 October 1997; Joe Stork, "Egypt's Factory Privatisation Campaign Turns Deadly", *Middle East Report* vol. 25, no. 1, Jan-Feb 1995; Adli, 1997, *op. cit.*, pp. 6-7.

<sup>119</sup> Al-Ahram Center for Political and Strategic Studies (ACPSS), *al-Taqrir al-istratiji 1994* [Strategic Report 1994] (Cairo: ACPSS, 1995), pp. 429.

<sup>120</sup> *Al-Ahram*, 18 October 1994.

<sup>121</sup> ACPSS, *op. cit.*, pp. 429.



### *The Government and Public Sector Workers*

The government has been devolving its obligations toward the public sector work force in terms of providing employment. In fiscal year 1991/92, the public sector employed 1,330,000 workers in public enterprises alone,<sup>122</sup> of which 30 percent were considered surplus to labour requirements.<sup>123</sup> By 1997, the size of the public enterprise work force had been reduced to 908,267.<sup>124</sup> Rather than laying off workers indiscriminately (although there are cases of such practices),<sup>125</sup> the government has devised an attractive compensation package in collaboration with the Social Fund for Development (established by the IMF and the United Nations Development Program).<sup>126</sup> The scheme aims at encouraging workers aged 50 to 58 for men, and 45 to 58 for women to take early retirement in return for compensation of between LE12,000 to LE35,000 according to the length of service, incentives, and other benefits due to the worker.<sup>127</sup> The first phase of the early retirement scheme (ERS), which began in September 1997, consisted of offering compensation to 20,100 workers in 20 loss-making companies. The second phase was to be

<sup>122</sup> The total figure for public sector employment, including economic authorities, public enterprise sector, and central and local government, was 5,547. Ali Soliman, "Economic Reform and Privatisation in Egypt", *Kurasat Istratijiya*, 1996, pp. 29.

<sup>123</sup> Although there are no precise estimates of labour redundancy in public enterprises, this is the figure which is regularly used based on pilot studies and expert opinion, according to Ragui Assaad, "An Analysis of Compensation Programs for Redundant Workers in Egyptian Public Enterprise", Working Paper 9701 (Cairo: Economic Research Forum for the Arab Countries, Iran, and Turkey, June 1996), pp. 7.

<sup>124</sup> Public Enterprise Office, Ministry of the Public Enterprise Sector, September 1997.

<sup>125</sup> See Ch. 3 here on the judiciary for examples of arbitrary dismissal.

<sup>126</sup> The SFD is financing 30% of the costs of the early retirement scheme.

<sup>127</sup> See *Al-Wafd*, 13 February 1997; *Al-Siyasi al-masri*, 23 February 1997; *Al-Wafd*, 29 March 1997. Early retirement was implemented before the ERS was officially devised. According to Public Enterprise Office figures, 31,080 workers took early retirement under the previous regulations. However, it is not clear whether workers who left their jobs before the ERS will be entitled to the same benefits as those leaving under the current regulations.

implemented in 25 companies.<sup>128</sup> In one of these companies, the National Metal Industries Company, 85 percent of those eligible for the ERS, representing 22 percent of the work force, applied for early retirement.<sup>129</sup> The minister of public enterprise told *Al-Ahram* that almost 80,000 public enterprise workers had applied to take early retirement.<sup>130</sup>

The government hopes that many workers taking early retirement will use their compensation as start-up capital in small enterprises, which will in turn help job creation for an economy which has half a million new entrants to the job market annually.<sup>131</sup> The SFD, in conjunction with the government, is running a program to help train people in entrepreneurial skills and to give them access to credit in order to start up small enterprises.<sup>132</sup> In this way, the government is attempting to encourage its citizens to take responsibility for employment in return for monetary incentives. The government is able to offer these incentives, despite its difficult fiscal situation, due to the fact that international creditors are happy to provide short-term grants in order to prevent the social destabilisation often alluded to by the government as a way of justifying the slow rate of implementation of structural adjustment measures.<sup>133</sup>

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<sup>128</sup> *Al-Wafd*, 23 August 1997. It is estimated that there are 100 loss-making companies; see *Al-Ahram*, 12 August 1997.

<sup>129</sup> Off the record statement by an official from the National Metal Industries Company. At the time of writing, there was no official information released on which companies would be implementing the ERS. However, *Al-'Alam al-Yawm* reported on 31 August 1997 that workers in four contracting companies would be offered the ERS; the same newspaper reported on 20 August 1997 that 600 workers in BiscoMistr (a food company) had already applied to the ERS, and this opportunity would also be available for workers in four other food companies; *Al-Ahram* reported on 18 August 1997 that 2,883 workers in 13 chemical companies would be invited to apply for the ERS.

<sup>130</sup> *Al-Ahram*, 5 September 1997.

<sup>131</sup> *Al-Ahram*, 4 January 1997.

<sup>132</sup> *Al-Wafd*, 9 July 1996; *Al-Ahram al-Iqtisadi*, 8 September 1997.

<sup>133</sup> The Social Fund for Development received \$672.5 million from international donors in 1995 alone. See Social Fund for Development, *Annual Report 1995* (SFD: Cairo, 1996, pp. 36).

In the long term, the government is attempting to reduce its responsibilities toward job security by the introduction of new labour legislation, which will put public sector workers on a equal footing with private sector workers. A new draft labour law allows employers, for the first time since the 1952 Revolution, to dismiss workers where the company is making losses.<sup>134</sup> Other gains of the Nasserist period will also be repealed, such as the appeal against unfair dismissal,<sup>135</sup> and a possible withdrawal of benefits such as incentives and bonuses,<sup>136</sup> holiday entitlement,<sup>137</sup> and maternity leave for women.<sup>138</sup> In return, the right to strike will be granted (but in such a limited way as to make it practically illegal).<sup>139</sup> The delay in the presentation of this bill to parliament indicates the government's fear of provoking opposition. Already, the GFETU

<sup>134</sup> Article 198 of the draft labour law. Furthermore, workers will not be entitled to compensation if they are dismissed in such circumstances. Muhammad al-Ghamri, "Mulahazat naqdiyya 'ala mashru'a qanun al-'amal al-muwahad al-jadid" [Critical Remarks on the new unified draft labour law], background paper (Cairo: Center for Human Rights Legal Aid, May 1996), pp. 11.

<sup>135</sup> Currently, a tripartite committee hears a dismissal case, and has the authority to force a company to reinstate a worker deemed unfairly dismissed. Articles 71 and 72 of the draft labour law creates a new five-member committee which will only be authorized to set the level of compensation for an unfairly dismissed worker, and will not be able to force his/her reinstatement. *Ibid.*, pp. 12–13.

<sup>136</sup> The draft labour law repeals the articles of Law 48/1978 on the provision of incentives, bonuses, travel allowances, danger allowances, transfer costs, and other benefits, currently decided by the company management and company union. *Ibid.*, pp. 15.

<sup>137</sup> Article 47 of the draft labour law reduces the number of holiday days for workers over 50 years from 45 to 30 days. *Ibid.*, pp. 14.

<sup>138</sup> Article 91 of the draft labour law reduces the right of women to take maternity leave from three times to twice during her period of service. *Ibid.*, pp. 20.

<sup>139</sup> Article 194 of the draft labour law grants workers the right to strike in defence of their professional, economic, and social interests (not their political interests), on the condition that the strike is approved by one third of the general assembly of the national trade union. In view of past reactions of national trade unionists against strikes and worker protests (see Ch. 3), this article will in practice make many strikes illegal. Article 195 prevents strikes taking place during arbitration or negotiations between the two parties, and prohibits strikes in 'essential' public services. *Ibid.*, pp. 15–16.

has expressed its reservations over the end of government guarantees for workers' job security and the limitations on the right to strike,<sup>140</sup> but most workers have yet to respond—no doubt due to the fact that the law has yet to be implemented. The fact that one government statement announced the delay of the reading of the bill until after the privatisation program is completed<sup>141</sup> may suggest that the government is banking on the success of economic liberalisation in creating employment and increasing wages as a means of compensating workers for a withdrawal of previous labour rights.

### *The Government and the Trade Unions*

The current trade union structure plays a very limited role in defending workers' rights. The top of the trade union hierarchy are state bureaucrats rather than elected representatives of Egyptian workers. The function of the union is one of distributing state-subsidised goods and services (such as food, health insurance, housing, and social facilities) and helping to implement government directives on the work force. Despite this, the government is still wary about the role that trade unions could play in organising opposition to privatisation, given that many trade union leaders feel threatened by the withdrawal of state power in the economic sphere.<sup>142</sup> This is due to the fact that the large majority trade union members are in the public sector—75 percent of approximately 3.313 million members<sup>143</sup>—and trade union membership fees are often taken directly out of public sector workers' wages.<sup>144</sup> Therefore, a reduction in the number of public sector workers, is the equivalent to a reduction in the power base of the trade unions.

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<sup>140</sup> *Al-Wafd*, 8 January 1997; *Al-Wafd*, 18 June 1996.

<sup>141</sup> *Al-Wafd*, 18 June 1996.

<sup>142</sup> See Ch. 3 for further discussion of the trade union officials' attitude to privatisation.

<sup>143</sup> Sabr Barakat, "Mustaqbal al-haraka al-'ummaliya fi misr", in 'Abbas et al, eds. *op. cit.*, pp. 280. This figure was probably much less by 1997 due to the large reduction in the public enterprise work force.

<sup>144</sup> Ibrahim Awad, "Socio-political aspects of economic reform: A Study of Domestic Actors' Attitudes towards Adjustment Policies in Egypt", in Handoussa and Potter, (eds), *op. cit.*, pp. 278.

The government is implementing a dual strategy to prevent trade unions from becoming a vehicle for workers' grievances against privatisation. The first part of this strategy aims at directing public sector workers' attentions away from trade unions and the issue of privatisation by creating an alternative site of (limited) power for workers. This is taking the form of the employee shareholder associations (ESA). The concept of an ESA was created by Law 95/1992.<sup>145</sup> Workers have the opportunity to buy a maximum of 10 percent of company equity through an ESA at a 20 percent discount on the market rate. The ESA pays for the shares through interest-free instalments which are deducted from the share dividends.<sup>146</sup> The shares are the property of the ESA (once they are paid off) and not the individual workers. The ESA distributes the dividends to its members.<sup>147</sup> These associations now exist in 264 companies in Egypt.<sup>148</sup> Workers in 47 companies currently own shares,<sup>149</sup> including ten public works and land reclamation companies where the government has allowed workers to buy 95 percent of equity for a total of LE245 million,<sup>150</sup> and four land reclamation and agricultural companies where workers are majority shareholders, bringing the number of worker-shareholders in this sector to 15,000.<sup>151</sup> There are plans to allow further worker buy-outs in other sectors.<sup>152</sup>

<sup>145</sup> Article 74, Part VIII, Law 95/1992. Translation by MELES, 1993.

<sup>146</sup> *Al-Ahali*, 6 August 1997.

<sup>147</sup> Partnership in Development Project, "Employee Stock Ownership Plan Manual", (Cairo: PIDP, June 1995), Ch. 9, (no pagination on copy).

<sup>148</sup> Public Enterprise Office, Ministry of the Public Enterprise Sector, September 1997. By January 1996, 21 ESAs had bought LE700 million worth of shares: see *Al-'Alam al-Yawm*, 9 January 1997.

<sup>149</sup> *Al-Ahram al-Iqtisadi*, 16 June 1997.

<sup>150</sup> List published by Public Enterprise Office, Ministry of the Public Enterprise Sector, June 1997.

<sup>151</sup> *Al-Ahram*, 18 August 1997. Total figures for worker-shareholders in all sectors are currently not available.

<sup>152</sup> These include rice mills: see *Al-'Alam al-Yawm*, 28 August 1997; transport companies: see *Al-Wafd*, 22 January 1997; Nasr Castings Company: see *Al-'Alam al-Yawm*, 1 May 1997.



The ESA concept allows the continuation of worker representation on company boards and worker profit-sharing, but under the names of shareholder voting rights and annual dividends. Redefining workers as shareholders appears to put them on an equal footing with management (who are majority shareholders) and would therefore seem to erase the antagonistic relationship of workers versus capital. Therefore, the concept of trade unions as the supposed representatives of workers is made redundant, since workers have become shareholders, and therefore occupy a different position in relation to the means of production. The ESA concept has a further advantage: it allows workers to buy those companies which are unattractive to private investors, such as the land reclamation companies, whose poor performance led to their inability to cover production costs.<sup>153</sup>

The second part of the strategy consists of controlling the membership of the trade union boards to prevent any political opposition from gaining power. In the last elections of October 1996, as many as 104 workers were prevented from running<sup>154</sup>—many of them left wing or Islamist<sup>155</sup>—while 175 workers took a number of national unions and the minister of labour to court for various election irregularities.<sup>156</sup> Moreover, the government is seeking to prevent new blood from entering the highest ranks of the trade union by keeping long-standing and government-loyal trade unionists in their positions as long as possible. Article 23, Law 12/1995 allows trade union officials who are due for retirement to keep their positions on union boards on the condition that they remain employed in the same sector as the trade union. Through the signing of fake work contracts, it is possible for trade union officials above retirement age to monopolise the trade union boards. Indeed, following the

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<sup>153</sup> The transport and rice mill companies mentioned above are loss-making companies, while Nasr Castings has already participated in a debt-equity swap deal. See *Al-Ahram Hebdo*, 16–22 July 1997; *Al-Ahram*, 3 August 1997.

<sup>154</sup> This is the number recorded by the Center for Human Rights Legal Aid, in “Aliyat istaba’d al-murshahin fi intakhabat al-’ummaliya”, *Al-Musa’ada*, November 1996.

<sup>155</sup> See *al-Sha’b*, 28 September 1996; *al-Hayat*, 25 October 1996.

<sup>156</sup> Center for Human Rights Legal Aid, “Activity Report 1996” (Cairo: CHRLA, 1997), pp. 18.



elections of 1996, those of retirement age head 12 of the 23 national unions.<sup>157</sup> Article 36 of the law allows any trade union official to continue to hold office after they have been appointed to a managerial position within their work place.<sup>158</sup> This would seem to create a contradictory situation between the interests of the workers and the interests of management. However, candidates in managerial posts present themselves to workers as candidates that are able to solve workers' problems through their access to the corridors of power.<sup>159</sup> As a result of the government's measures to prevent change in the trade union leadership during the last elections, there was no turnover in the membership of the GFETU board and only a 40 percent change in the members of the boards of the national unions.<sup>160</sup>

### *The Government and Private Sector Businesspeople*

The government has also been further reducing the influence of trade unions on government decision-making by forging an alliance with private sector businesspeople. This private sector is best represented by the Egyptian Businessmen's Association (EBA), a group of entrepreneurs who have gradually gained an increasing voice in the decision-making process of government. A joint committee on economic policies was formed between the government and the EBA, and the association has played a large part in influencing government policies on taxation and import and export measures.<sup>161</sup>

According to one study, the government is seeking to gain the support of the EBA as a means of carrying out economic reform successfully. Simultaneously, the EBA has been attempting to increase its influence over government policy by nominating businessmen affiliated to the ruling National Democratic Party to its membership, and then putting forward these members

<sup>157</sup> Kamal 'Abbas, Sabr Barakat, Rahma Rif'at, "Intikhabat fi muftaraq al-tunūq" [Elections at the cross-roads], (Cairo: Center for Trade Union and Workers' Services, 1997), pp. 4.

<sup>158</sup> *Ibid.*, pp. 4.

<sup>159</sup> *Ibid.*, pp. 10-11.

<sup>160</sup> *Al-Wafd*, 18 October 1996.

<sup>161</sup> Thabit, *op. cit.*, pp. 125-26.

for election to the People's Assembly. In Alexandria, eight NDP-affiliated EBA members won seats in the PA during the last elections in 1995.<sup>162</sup> This illustrates the way in which interest groups in Egypt have always felt it necessary to 'colonise' the state, through its ruling party, as a means of influencing government policy. It also shows the potential for a gradual change in the identity of the NDP, from a party of technocrats, to a party of business.

*Ed. CB*

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<sup>162</sup> *Al-'Arabi*, 27 January 1997.

## PART THREE

### FORMAL RESPONSES TO ECONOMIC LIBERALISATION

The nature of workers responses to government economic policies not only decides the success of those policies but also the future stability of the regime. The demonstrations of 1977 weakened the political stance of President Sadat's regime to the extent that he felt obliged to introduce some of the most antidemocratic measures that Egypt has ever seen. As noted in the previous chapter, the present government is being very careful to prevent any widespread worker opposition to privatisation.

This part considers the formal responses by public sector workers to privatisation and economic liberalisation. The term 'formal responses' refers to those responses which occur via the institutions created by the regime such as, the trade unions, judiciary, multiparty system, and, since the beginning of privatisation, the employee shareholder associations. These institutions were not created with the purpose of allowing dissent to government policies, but rather as a mechanism for the regime to co-opt any opposition and channel it in a way that does not threaten the legitimacy of the regime. However, the fact that these responses are directed by state-sanctioned mechanisms does not necessarily negate their ability to allow workers to express their opposition, although workers may find it more useful to resort to more 'informal' methods to protect their interests (see Part Four).

In addition to the above institutions, workers may also respond in more individualized ways to the change in economic and political conditions by using government policies as a means of securing their rights. The inclusion of individualised responses in this part is due to the fact that they have formal characteristics, such as being government-approved and protected by the legal system. Consequently, these methods are 'public' and 'official'—debated by

public officials, reported in the semi-official press, and recorded by official statistics.

### *Trade Unions*

The trade union structure is the first 'line of defence' for workers, despite its history of being supportive of regime policies rather than the interests of workers. Nevertheless, there is a tradition of workers appealing to their trade unions to lobby or petition management or the government on their behalf when they have grievances.<sup>163</sup> This method has had some success in achieving workers' demands, or at least drawing officials' attention to workers' problems,<sup>164</sup> because of the close relationship between the state and the national trade unions.

Although most trade union leaders do not oppose privatisation or economic liberalisation, their public statements express concern for the economic rights of workers. 'Abd al-Latif 'Aysh, head of the Food Industries National Trade Union, says: "The Union is not opposed to full-scale privatisation, but Egyptians should have the lion's share of the shares at stake ... some problems have to be addressed, such as workers being denied their right to profit-sharing, guaranteed under Public Enterprise Law no. 203/91."<sup>165</sup> Muhammad al-Sharqawi, head of the Tourism and Hotel Workers National Trade Union, says: "Many employees at the hotels which were privatised have been laid off. There should be sufficient guarantees for workers before state property is transferred to private ownership."<sup>166</sup>

Since 1990, company trade unions have tended to play a more positive role on behalf of workers' than in the past, by holding meetings with management, petitioning the relevant ministers, and even participating in workers' protests.<sup>167</sup> For example, in November 1990, the company trade union put

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<sup>163</sup> Adli, 1997, *op. cit.*, pp. 4.

<sup>164</sup> For example, the case of the Elmaco workers, see *Al-Wafd*, 4 April 1997; and the case of Port Said Containers & Cargo workers, see *Al-Ahali*, 28 August 1996.

<sup>165</sup> *The Egyptian Gazette*, 10 March 1996.

<sup>166</sup> *Ibid.*

<sup>167</sup> Adli, 1997, *op. cit.*, pp. 8.

forward its collective resignation after the management of Mahalla Carpets failed to meet the demands of workers to raise salaries and pay outstanding bonuses. In 1993, the trade union actually participated in a workers' protest in Tanta Tobacco. In June 1994, the company trade union of the mines and quarries organised a workers' strike—the first strike organised by a trade union since 1952—in protest at the cut in government subsidies for the industry, resulting in a loss of incentives and benefits for workers.<sup>168</sup>

These more radical stances by trade union leaders probably reflect their own insecurities about privatisation, more than a desire to defend the rights of their members. No doubt some trade union officials perceive the government's growing alliance with businesspeople as a threat to their positions. This is particularly pertinent to those union leaders at the lower levels of the trade union pyramid who are not members of the Peoples' Assembly or the Shura Council. The increased need to support workers' protests reflects their need to carve out a new role for themselves as representatives of workers' interests.

In the above cases, the reasons why company unions decided to support workers in what are basically illegal activities may have been determined by the trade unionists' perception of the extent of success of their intervention, due to the fact that none of these companies are currently included on a privatisation list.<sup>169</sup> Indeed, in all three cases, the outcome was successful in favour of the workers. In the case of the Mahalla Carpets strike, the governor of al-Gharbiya governorate promised to implement the workers' demands. In the case of the Tanta Tobacco workers' protest against the dismissal of a worker there, the decision was reversed.<sup>170</sup> In the case of the mines and quarries' strike, all the workers' demands were met following negotiations between the government and the trade union.<sup>171</sup> In the latter case, there is also a possibility that the good relations between the head of the company union and someone within the government provided the company union with a

<sup>168</sup> *Ibid.*, pp. 8.

<sup>169</sup> This is according to information released by the Public Enterprise Office.

<sup>170</sup> Adli, 1997, *op. cit.*, appendices.

<sup>171</sup> ACPSS, *op. cit.*, pp. 428–29.

safeguard against any sort of punitive actions that could have been taken against their decision to organise the strike.<sup>172</sup>

The vast majority of trade union leaders prefer to obtain concessions for their members via their relations with the state. As mentioned before, a great number of national trade union leaders are members of one of the two legislative assemblies, and all but one are members of the ruling National Democratic Party.<sup>173</sup> This gives the trade unions a fair amount of access to the mechanisms of decision-making, and Al-Sayid Rashid, head of the GFETU, is regularly involved in negotiations with the government over issues relevant to workers, such as the early retirement scheme, the employee shareholder associations, and new labour legislation. Despite the close links between the unions and the state, it is not unusual for the federation president and the government to disagree over the details of new rules and regulations. For example, there were apparently long negotiations over the rules for early retirement, with Rashid calling for workers' social insurance contributions to be paid by their companies until the age of 60 in order to guarantee them full pensions.<sup>174</sup> Nevertheless, Rashid's interventions in the decision-making process are always firmly within the bounds of the government's agenda, and he has regularly announced his support for privatisation and his faith that the government will protect workers' rights.<sup>175</sup>

However, trade union intervention to protect the rights of workers, whether in the form of supporting workers' protests or negotiating with the government or management on behalf of workers, is always reactive. It is either in response to the government's attempts to introduce new legislation or in response to workers' petitions and demands. The trade unions have failed to propose any new legislation to defend workers' interests in the light of changing economic conditions and the withdrawal of the state from its function of guaranteeing employment. For example, workers will be left without protection in the areas

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<sup>172</sup> This is off-the-record speculation by someone within the trade union movement.

<sup>173</sup> Bianchi, *op. cit.*, pp. 141.

<sup>174</sup> *Al-Wafd*, 20 February 1997.

<sup>175</sup> For example, see *Al-Wafd*, 15 March 1996; and an interview given by al-Sayid Rashid to *Al-Ahram*, 14 May 1996.



of social insurance and unemployment benefits, unless former legislation is amended.<sup>176</sup>

The inertia of the unions in this matter is not surprising given that legislation since 1952 has gradually undermined the ability of the trade union structure to act proactively to defend workers' rights. To begin with, in the 1950s, independent trade union action was made illegal and legislation was introduced that regulated all aspects of working conditions for employees, thereby usurping the traditional trade union role of representing workers in negotiations between labour and employers. During the 1960s, the regime introduced various measures which improved all aspects of workers' lives, thereby making the state, rather than the trade unions, the vehicle through which workers could obtain their rights. Then through the 1970s and 1980s, trade union power became increasingly concentrated in the hands of the upper echelons, and the trade union leadership became more closely tied to the state bureaucracy (see Parts One and Two). Consequently, the role of trade unions has become limited to that of distributing government goods and services as a means of keeping the loyalty of workers to the regime and supporting government policies. This is demonstrated by the campaign programs of candidates running in the last trade union elections. Most candidates were concerned with increasing the number of ESAs, expanding social security, health insurance, and social activity funds, and improving salaries.<sup>177</sup> Only the few opposition candidates from the left who managed to run called for the protection of the public sector and the democratisation of the trade unions.<sup>178</sup>

Some workers and trade unionists argue that the present union system cannot defend workers' rights in the context of privatisation due to the state's interference in every aspect of trade union organisation—from the election of its officials to its statutes. They believe that a plurality of democratic unions would be better equipped to unite to defend workers' interests.<sup>179</sup> On the other

<sup>176</sup> Interview with Ahmad Sayf al-Islam 'Abd al-Fattah, lawyer, Cairo, 8 June 1996.

<sup>177</sup> *Al-Siyasi al-Masri*, 29 September 1996.

<sup>178</sup> *Al-Ahali*, 23 October 1997.

<sup>179</sup> For example, Yusif Darwish, 'Abd al-Ghafar Shakr, and Fathi Mahmud, in a seminar held on trade union pluralism by the Center for Human Rights Legal Aid. See "Ma'ziq al-niqabat al-'ummaliya wa khiyar al-ta'addudiya" [The dilemma of

hand, there are those that believe that trade union pluralism could open the way for divisive tactics by employers and the state and would not be any better at defending workers than the current single federation system. In their eyes, it is far better to call for the reform of the current trade union system and introduce democracy within the union structures in order to rid them of government interference.<sup>181</sup>

In April 1995, the Supreme Constitutional Court, while ruling that the limitation of professional syndicate members on trade union boards was unconstitutional, discussed the importance of trade union independence and the freedom to form trade unions.<sup>182</sup> Current legislation on trade unions contains 23 articles which permit the minister of labour to intervene in trade union affairs, from drawing up the union statute and deciding a program of activity to electing trade union representatives. Furthermore, no more than one national union is allowed in any one profession.<sup>183</sup> Since the question of trade union independence and plurality was only mentioned in the ruling, and was not the subject of the ruling, the government had no obligation to amend the law in line with the remarks of the judge.

Nevertheless, some left-wing activists and trade unionists believe that privatisation could make trade union pluralism an inevitability, albeit in the long term. As the state withdraws from its employment obligations toward its citizens as a result of privatisation and more and more employees join the private sector, it is probable that the current trade unions will begin to disappear (as noted in the previous part, most trade union members work in the public sector). Privatisation may also have the effect of eroding worker loyalty to the current trade union structure which has been largely based on

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trade Unions and the options of pluralism], *Al-Musa'ada*, pp. 15-19, May 1997, for a detailed report.

<sup>180</sup> For example, Amin 'Az al-Din, and 'Abd al-Rahman Khayr, *Ibid.*

<sup>181</sup> See the ruling of the Supreme Constitutional Court on Article 38, Law 35/1976 in *al-Jarida al-rasmiya*, no. 17, 27 April 1995.

<sup>182</sup> 'Abd Allah Khalil, *al-Qawanin al-muqayida li-l-huquq al-madaniya wa-l-siyasiya fi-l tashri' al-misri* [Law governing civil and political rights in Egyptian legislation] (Cairo: Egyptian Organization for Human Rights, 1993), pp. 187-96.

state-guaranteed job security,<sup>183</sup> in addition to revealing the complicity of trade union leaders in implementing government policies.<sup>184</sup> While privatisation may be the end for the current trade union structure, it will be necessary to replace it with some kind of organisation that is adapted to the needs of a more market-oriented economy. There must be some body in the future that is capable of negotiating with employers on behalf of workers in order to reach agreements on wages, holidays, and other work place conditions that are currently determined administratively.<sup>185</sup>

Robert Bianchi also anticipates pluralist trends within the trade unions. However, this he attributes less to privatisation but rather to 'unruly corporatism' within the trade union structures. He notes increasing rivalry of ambitions between the different national union leaders, all of whom are eager to demonstrate their political influence.<sup>186</sup> However, much of that political influence is based on the existence of the public sector and the need for the government to distribute its patronage via the trade unions. A reduction in the size of the public sector will no doubt reduce the ability of national trade union leaders to influence politics. They may also find themselves compromised in the eyes of workers, who may feel that these trade union leaders have neglected their interests. Meanwhile, a parallel system of worker representation has appeared since the beginning of the 1970s to compensate for the ineffectiveness of the official trade unions in protecting workers' rights.<sup>187</sup> If it continues to be officially tolerated by the authorities, it is possible that this parallel representation may become the basis for trade union pluralism in the future.

<sup>183</sup> Interview with Hasan Badawi, editor of labour affairs for *Al-Ahali*, Cairo, 13 August 1997.

<sup>184</sup> Interview with 'Adil Wiliyam, left-wing activist, Mit Ghamr, 23 May 1996.

<sup>185</sup> Interview with Kamal 'Abbas, head of the Center for Trade Union and Workers' Services, Helwan, 16 September 1997.

<sup>186</sup> Bianchi, *op. cit.*, pp. 142.

<sup>187</sup> *Ibid.*, pp. 143.

## *The Judiciary*

In recent years, the courts have become high profile arenas for battles between Egypt's major political trends, in particular 'secularists'/the state and Islamists. With regard to workers, the judiciary has represented a means of defending their legal rights for the past four decades.

The state has designed a set of legal stages for solving labour disputes which include the intervention of the judiciary. In the case of unfair dismissal, a worker can sue his/her employer in a labour tribunal. If successful, a higher court determines the amount of compensation to be paid to the plaintiff. Courts may rule on other issues concerning the legal rights of employees. In fact, many strikes are the result of court decisions ruling in favour of workers being ignored by company management.<sup>188</sup>

Since 1991, the number of workers filing complaints against their employers has been increasing:<sup>189</sup> doubtless a result of the increase in arbitrary measures taken by companies undergoing restructuring before privatisation. The most common complaints are those of unfair dismissal. Company management has been refusing to renew temporary contracts that have expired, despite a government decree that workers on temporary contracts who have been working in a company for more than five years are entitled to the same rights as permanent contract workers.<sup>190</sup>

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<sup>188</sup> For example, the case of the ESCO strike in January 1986, in El Shafai, *op. cit.*, pp. 25.

<sup>189</sup> For example, the Center for Human Rights Legal Aid alone filed 334 cases on behalf of workers in 1996, in comparison to 97 in 1995. See Center for Human Rights Legal Aid, "Activity Report: 1996", (Cairo: CHRLA, 1997), for further details.

<sup>190</sup> For example, 80 temporary contract workers were dismissed from BiscoMisr after their contracts were not renewed: see *Al-Ahram Weekly*, 11–14 April 1996; 101 workers were dismissed from the General Engineering Works Company: see *Al-Ahali*, 15 January 1997; about 250 workers at Bata company were dismissed for the same reason, see *Al-Wafd*, 26 February 1997; 54 temporary contract workers were dismissed from the National Engineering Industries Company: see *Al-'Arabi*, 18 August 1997; and 47 temporary contract workers were dismissed from the National Metal Industries Company: see *Al-Sha'b*, 19 August 1997.

Aside from workers using the courts in the way in which the government intended them to be used, some trade union leaders, in conjunction with the Nasserist, Tagammu', and Islamist-oriented Labour parties, filed a court case in 1996 in an attempt to stop privatisation. The case challenged the constitutionality of Law 203/1991 on the public enterprise sector, which allows privatisation, on the basis that Article 30 of the Constitution stipulates that the public sector plays the leading role in the development of the Egyptian economy and therefore any attempts to reduce the size and importance of the public sector is unconstitutional.<sup>191</sup> Furthermore, the public sector belongs to the people and therefore it cannot be sold by the state without the people's agreement.<sup>192</sup> However, the Supreme Constitutional Court rejected the claim in February 1997, ruling that Law 203 does not violate the Constitution, which allows private ownership.<sup>193</sup>

### *Participation in Legislative Elections and Political Parties*

'Formal' political participation through political parties and legislative elections is probably the least widespread method that workers use to respond to economic and political developments. The court case against privatisation is symptomatic of the problems of political participation in Egypt. This problem revolves around three axes: government restriction of the activities of political parties; government manipulation of legislative elections through various means; and the predominance of a nationalist discourse among the left wing that relegates workers' concerns to the interests of the nation.

To begin with, Egyptian law restricts the formation of political parties. Of particular relevance to workers, it is illegal to form a party whose goal is to represent the interests of the working class.<sup>194</sup> All political parties must be licensed by a special government committee. Then, even where a political party is authorised, its activities are confined to holding meetings in party premises and publishing a party newspaper. Public rallies, canvassing, distributing propaganda in a public place, and public demonstrations are

<sup>191</sup> *Al-Ahram Weekly*, 11–17 April 1996.

<sup>192</sup> *Al-Sha'b*, 9 April 1996.

<sup>193</sup> *Middle East Times*, 9–15 February 1997.

<sup>194</sup> See Khalil, *op. cit.*, pp. 227.



illegal.<sup>195</sup> Given the lack of opportunities for opposition parties to effectively pressure the government into changing its policies, they (like the Islamists) have turned to the courts as the only means of legally challenging the government. Moreover, the limited margin of activity of political parties makes it very difficult for them to forge links with workers. This problem is exacerbated by the government's manipulation of elections in the favour of their own candidates.

The government manipulates the electoral process through the staging of unfair and restricted elections.<sup>196</sup> Its main power lies in the ability to exclude its political opponents by distributing patronage through its representatives (whether members of the legislative assemblies or of trade union boards). As a member of the People's Assembly from the ruling National Democratic Party remarks:

*Only the party with authority can serve the people, and thus opposition parties in Egypt have little popular support, no roots to the people. If I ask for something from the bureaucracy, my demands will be met and theirs' [the opposition's] will not.*<sup>197</sup>

This particular PA member had made his 'roots to the people' by getting the bureaucracy to build some badly-needed housing in his constituency.<sup>198</sup> None of the opposition parties have the resources to distribute such largesse to their prospective constituents.

Finally, the court case against privatisation demonstrates the opposition's attachment to nationalism and the legacy of Nasserism, rather than the interests of workers. The arguments put forward against privatisation by the

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<sup>195</sup> See a report by the Center for Human Rights Legal Aid, "al-Hizb al-wahid fi qalib Ta'addudiya" [One party in a mould of pluralism], (Cairo: Center for Human Rights Legal Aid, June 1996).

<sup>196</sup> See the Center for Human Rights Legal Aid, "Final Report on the Legislative Elections in Egypt", (Cairo: CHRLA, 1995); and *Al-Musa'ada*, "Aliyat al-istab'ad al-murashahin fi intikhabat al-'ummaliya", pp. 4-6, November 1996, *op. cit.*

<sup>197</sup> cited in Singerman, *op. cit.*, pp. 255.

<sup>198</sup> *Ibid.*, pp. 256.



opposition are that the public sector should be defended because it is in the interests of the nation, and therefore it is in the interests of workers.

Ahmad Nabil al-Hilali, a human rights advocate and lawyer specializing in labour issues, and also regarded as a communist, is typical of those defending the public sector as a guarantor of workers' rights. He believes that privatisation will lead to public sector workers losing the rights granted under the public sector.<sup>199</sup> Left-wing activities around the issue of workers' rights and privatisation have mainly concentrated on the establishment of a 'National Committee in Defence of the Public Sector'. In a meeting held to found the committee, most of the contributors spoke first about the dangers of privatisation in terms of the national economy, and then about the dangers to workers.<sup>200</sup> However, Nasserism, and the socialist ideals associated with it, have been largely discredited by the inability of a public-sector-led economy to generate sufficient growth to meet the needs of its growing population, not to mention the state's arbitrary enforcement of its own labour regulations. This limits the appeal of the opposition, in particular the left wing, to substantial segments of workers.

The Islamists have been conspicuous in their absence from the ranks of the trade unions, in comparison to their influence among the professional syndicates. Observers attribute this to several factors. The government's control over the trade union structure through the minister of Labour and the GFETU would make it much more difficult for the Islamists to operate freely in the trade unions, unlike the profession syndicates, where Islamists have had access to substantial financial resources which they have used to promote their politics. In the cases where Islamists have put forward their candidacy in trade union elections, there are reports that the authorities have intervened to prevent them from running for office (see Part Two). This factor has probably made the trade unions less of a strategic interest for the Islamists.<sup>201</sup> Moreover, the ideological attraction of the Islamists for workers is limited. Calls for an Islamisation of society may appeal to middle class feelings of exclusion from the political process and alienation from the state's development policies.<sup>202</sup>

<sup>199</sup> Interview with Ahmad Nabil al-Hilali, Cairo, 15 June 1996.

<sup>200</sup> See *Al-Ahali*, 20 March 1996.

<sup>201</sup> Interviews with 'Adil Wiliyam, Ahmad Nabil al-Hilali, and Kamal 'Abbas.

<sup>202</sup> Nazih Ayubi, *Political Islam* (London: Routledge, 1991), pp. 86.

however, workers are also concerned with economic issues. That is not to say that they are not open to Islamist politics, but rather that Islamists must address workers' economic interests if they are to stand any success of winning positions on company unions. However, in previous elections, where Islamists put forward a platform that contains economic issues, their position was indistinguishable from those of candidates of other political trends.<sup>203</sup>

Given the situation described above, it is not surprising that political parties have had little success in influencing trade unions and workers. Lacking a political framework for their demands, there is little chance that current attempts by workers to defend their interests can go beyond immediate economic concerns.

### *The Use of Other Government-designed Measures*

Given the limited efficacy and the absence of a guaranteed outcome of some of the above strategies, many workers may consider certain government measures, namely, early retirement and employee shareholder associations, as a more effective way to defend their interests in the context of privatisation. Indeed, some workers may view these measures as a new way for the government to secure the welfare of its citizens, as it has done traditionally. That is not to say that workers do not have reservations about the details of the projects.<sup>204</sup> Nevertheless, the extent to which workers have taken early retirement<sup>205</sup> or joined an ESA<sup>206</sup> indicates that these measures are definitely among workers' repertoire of responses in the context of economic liberalisation.

It should also be noted that in the past, millions of workers migrated to the Arab oil-producing states, where wages are much higher, as a way of securing

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<sup>203</sup> Interview with Kamal 'Abbas.

<sup>204</sup> With regard to worker reservations about early retirement, see *al-Gumhuriya al-Ushbu'i*, 2 April 1997; and with regard to ESAs, see *Al-'Alam al-Yawm*, 2 November 1996, and *Al-Gumhuriya*, 17 May 1997.

<sup>205</sup> See Ch. 2 on public sector workers for figures.

<sup>206</sup> See Ch. 2 on trade unions for figures.

a better standard of living.<sup>207</sup> Many of these workers returned with enough savings to start up a small business and therefore joined the ranks of the petite bourgeoisie. With the slowdown in the economies of the oil-producers due to the fall in the price of oil since the mid-1980s, in addition to the increasing employment of labour from Asia, it is more difficult for Egyptian workers to find employment in the Gulf and Libya. However, this is still an option considered by many, especially young workers in need of large savings for their marriage.<sup>208</sup>

### *Gender and Political Responses*

The term 'worker' has been used until now to denote a female or a male worker. However, it is essential to note that the strategies above are not all open to female workers. This is predominantly a result of society's hegemonic ideology which limits a woman's role to that of the private sphere. As a result, female participation rates in the work force are officially low—and have been falling over the past 15 years from 3.8 percent to 1.8 percent in the public sector.<sup>209</sup>

For those women who go out to work, their responses to economic liberalisation are determined by how they think they should act according to society's views on the role of women. Trade union participation, voting in elections, and migration (if unaccompanied by a male relative) all violate society's norms about women's behaviour. In the trade union elections of 1996, out of a total of 60,000 candidates, only 1000 were women (however, 621 of these managed to win seats on company union boards).<sup>210</sup> In the 1995 parliamentary elections, out of a total of 3,980 candidates, only 81 women ran.

<sup>207</sup> The 1990 figure for migration is approximately 2 million, i.e., 12% of the work force. See Zuhdi al-Shami, 'al-Tashghiril w-al-batala fi Misr' [Employment and unemployment in Egypt], (Cairo: Center for Trade Union and Workers' Services, 1997), pp. 14.

<sup>208</sup> See Singerman, *op. cit.*, pp. 121–24.

<sup>209</sup> *Al-Ahali*, 14/05/97. However, Singerman finds that women's participation in the informal economic sector is high. *Ibid.*, pp. 181–205.

<sup>210</sup> Abbas, Barakat, Rif'at, *op. cit.*, pp. 7, 13.

and a mere five of these won seats.<sup>211</sup> These figures demonstrate the extent to which beliefs about women's role in society delegitimise a public role for her.

Shareholding and early retirement schemes may also pose problems for women. A woman's ability to fully participate in an ESA by attending meetings and electing representatives is subject to the same considerations as participation in trade union activities. Early retirement may not be an attractive option for women given that they have less chance than men of finding employment in the private sector which gives them the same working conditions as in the public sector (such as, child care facilities, working hours that fit in with school times, and guaranteed holidays). Indeed, rates of women applying to take early retirement have been shown to be lower than those of men.<sup>212</sup>

However, women do have means of responding to a loss of rights, or a fall in their standard of living. Formal response mechanisms include the judiciary. This institution has been traditionally a socially-sanctioned means of women claiming their rights. This is probably a consequence of the legalistic tradition of Islam and the rights accorded to women by *Shari'a*. But it is probably informal mechanisms that provide the greatest opportunity for women. This, as we shall see in the next part, is due to the fact that 'informal' politics is often based on family and community networks, and is therefore considered to be much closer to the 'private' sphere.



<sup>211</sup> Hala Mustafa, ed. *al-Intikhabat al-parlamentiyya fi Misr 1995* [The 1995 Egyptian parliamentary elections] (Cairo: ACPSS, 1996), pp. 96.

<sup>212</sup> *Al-Akhbar*, 18 July 1997.

## PART FOUR

### INFORMAL RESPONSES TO ECONOMIC LIBERALISATION

The term 'informal' responses here refers to those actions taken by workers that are somehow hidden from the public—that is, they are not officially recorded by state bodies or the semi-official press, or they are denied and condemned by the authorities. This is due to the fact that they are either illegal, such as strikes, sit-ins, and other demonstrations, and moonlighting, or that they are beyond the control of the authorities, such as the informal economy, and family and community networks. The inclusion of organised protests and civil organisations under this heading may seem inappropriate, since both have characteristics of formal actions, that is, they are organised in the public sphere. However, they are both largely ignored by the semi-official press, or, if acknowledged, condemned by the government.<sup>21</sup> Also included in this part

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<sup>21</sup> For example, according to those researchers who have documented worker protests, none of the semi-official press (that is, *Al-Ahram*, *Al-Akhar*, *Akhar al-Yawm*, *Al-Gumhuriya*) consistently report strikes or demonstrations. These researchers are obliged to rely on the reports of the opposition press (*Al-Wafd*, *Al-Sha'b*, *Al-Ahal*, and *Al-Ahrar*). Furthermore, none of the opposition press has a circulation as high as that of the semi-official press. From this, we can deduce that many strikes are unknown to large segments of the population (except in the case of major strikes, where the semi-official press writes condemning the strike). See El Shafei, *op. cit.*, pp. 25, 32; and Stork, *op. cit.* Similarly, the attitude of the government toward civil organisations which are not registered with the Ministry of Social Affairs is disparaging. For example, the Minister of Labour referred to the Center for Human Rights Legal Aid, in regard to its challenge of the constitutionality of Law 35/1976 on trade unions, as having been "established in order to serve the political interests of certain parties and individuals that did not manage to win a seat on the trade union boards [in the 1996 trade union elections]". See *Al-Ahram Hebdo*, 3–9 September 1997.



is clientelism, to which it was briefly referred in the previous part with regard to the role of patronage in elections and the trade unions. Clientelism is technically illegal, and condemned by the government in public. However, patron-client relations are promoted by the state, and represent one of the main ways in which the state maintains its hegemony over society.

In this way we see that the division between 'formal' and 'informal' responses is not straightforward, and there is little doubt that workers do not classify their actions in such a way. It is more likely that workers either regard 'informal' and 'formal' actions to be interdependent, that is one of the methods is employed after the other has failed to achieve the desired results (for example, strikes are resorted to only after trade union mediation and the judiciary have failed), or workers consider the two types of actions to be independent of each other and they employ both types of strategy simultaneously—in order to increase their chances of success.

### *Strikes and Other Protests*

Strikes, sit-ins, demonstrations, and other protests represent the most dangerous way for workers to seek solutions to their problems and therefore protests only occur after all legal channels—negotiations with management, petitioning the government, or filing a complaint with the courts—have been attempted and have failed.<sup>214</sup> Strikes and other forms of collective action are illegal according to Egyptian law<sup>215</sup> and are usually subject to violent attack by the security forces, to the extent that people have died.<sup>216</sup> The government is concerned not to let strikes and other protests spread, especially in industrial

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<sup>214</sup> Adli, 1997, pp. 4.

<sup>215</sup> However, on 16 April 1987, the Higher State Security Court ruled that striking railway workers were innocent because strikes were legal according to the international human rights treaties that Egypt had signed.

<sup>216</sup> For example, during the sit-in of the Kafr al-Dawwar spinning and weaving factory workers, security forces killed four and injured many. See press release by the Egyptian Organization for Human Rights, *op. cit.*; and, Stork, *op. cit.* In the case of the steel workers' strike in July 1989, one worker died and several were severely injured after security forces stormed the steel plant. In addition, hundreds of other workers were detained for several months, and two of the strike leaders were tortured. See El Shafei, *op. cit.*, pp. 34.

areas where there are large numbers of workers. However, once the protests have been quelled, they are reasonably successful in achieving workers' demands.<sup>217</sup>

Due to their illegality, workers' protests are always organised independently of their trade unions, except in the case of the miners' strike in 1994 (see previous part). In fact, trade unions have usually condemned striking workers, and have even informed the security forces of an imminent protest.<sup>218</sup> This has led many workers' protests to include demands to remove trade union officials from their posts.<sup>219</sup>

There has been a substantial increase in strikes and other protests since the government signed the 1991 IMF agreement. The number of protests prior to 1991 was also high, no doubt due to the acute economic difficulties experienced by the public sector from the mid-1980s onward. The year of the Gulf War and the following year, witnessed a slight drop in the number of protests, possibly due to tightened security conditions as a result of the government's attempts to prevent street demonstrations against Egypt's involvement in the Allied Coalition.<sup>220</sup> In addition to this, the consequences of the IMF agreement (signed in May 1991) and of Law 203/1991 (passed in June) had not yet begun to be felt. However, from 1991 onward, the number of protests increased again, due to the government's need to reduce public expenditure and cut back the public sector (see Appendix Table 2).

<sup>217</sup> In a study of 111 workers' protests between 1987 and 1993, at least 39 were successful in getting their demands recognised or in completely achieving their demands. See appendices of Adli, 1997, *op. cit.*

<sup>218</sup> For example, the company trade union of Amiriya Spinning and Weaving Company informed security forces of a sit-in organised by workers in protest of a six-month delay in the payment of their salaries, and the workers were subsequently surrounded and arrested. See *Al-Sha'b*, 10 January 1997.

<sup>219</sup> The Kafr al-Dawwar Spinning and Weaving workers' strike in October 1994 included such demands. See EOHR, *op. cit.*; and Stork *op. cit.*

<sup>220</sup> There are no reports of demonstrations or other protests against the Gulf War organised by workers alone. However, workers may have taken part in such demonstrations.

The vast majority of protests from 1991 onward were concerned with the delay in the payment of bonuses, incentives,<sup>221</sup> and wages; a reduction in incentives and bonuses; the withdrawal or reduction in services, such as buses that take employees to work; and the failure to renew temporary contracts resulting in the dismissal of workers.<sup>222</sup> There appears to be a correlation between management's implementation of these measures and the announcement of the privatisation of the relevant company, suggesting that dismissals and reductions in bonuses, etc., are part of the restructuring process. For example, within three months of management reducing bonuses at Misr Dairy Products and Telemisr, Misr Dairy Products was unsuccessfully offered for sale and Telemisr sold a majority stake to private investors. Within two months of management dismissing 250 temporary contract workers at Bata Alexandria, the holding company decided to offer Bata branches for sale.<sup>223</sup>

There are also cases of workers in recently privatised companies protesting against reductions in wages and other benefits. Workers in the Nasr Transformers and Electrical Products Company, Elmaco, sold in 1996 to a German-Egyptian joint venture company, held a three-day sit-in in March 1997 protesting against a number of decisions by the new management, including a reduction in incentives and benefits and the refusal to renew the work contracts of 150 workers. The security forces were called in to end the sit-in and the workers' concessions were not granted.<sup>224</sup> Workers at the Zagazig plant of Coca Cola, which was one of the first three companies to be privatised in 1994, went on strike in September 1996 after the management cancelled bonuses and increased working hours.<sup>225</sup>

It is interesting to note that the majority of protests between 1991 and 1994 took the form of strikes, as opposed to sit-ins or the boycott on cashing

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<sup>221</sup> Bonuses and incentives, which vary from year to year, represent as much as 56% of workers' income: Center for Trade Union and Workers' Services, *op. cit.*, pp. 1.

<sup>222</sup> See Adli, 1997, *op. cit.*, pp. 6; and ACPSS, *op. cit.*, pp. 430-31.

<sup>223</sup> See *Al-Ahali*, 21 August 1996 re: Misr Dairy Products and Telemisr; and *Al-Wafd*, 26 February 1997 re: Bata.

<sup>224</sup> See *Al-Musa'da*, May 1997, *op. cit.*

<sup>225</sup> See *Al-Sha'b*, 10 September 1996.

paycheques.<sup>226</sup> This is in contradistinction to protests prior to 1990, which tended to take the form of sit-ins or paycheck boycotts rather than strikes. Sit-ins involve workers continuing their work, but preventing management from entering the work place. The boycott on cashing paycheques is considered an effective form of protest by workers since it causes considerable problems for the government's accounting procedures. Within the discourse of the 'social contract' of the corporatist state—where workers' obligations lay in the realm of production, and the state, in return, rewarded this production through the distribution of certain benefits—the latter types of protest were more easily justifiable because workers could claim that they were not harming national production but merely publicising their grievances.<sup>227</sup> The large absence of strikes prior to the mid-1980s, reflects the extent to which workers accepted the terms of the social contract. The increase in work stoppages since that date, and particularly since 1991, is a demonstration of workers' rejection of their obligations, due to the fact that the government has been failing to recognise and reward workers' production efforts as before. It may also represent workers' rejection of the state itself, whose legitimacy in the eyes of workers has been based on the social contract.

Despite the correlation between economic liberalisation and management attempts to reduce workers' incomes and job security, and workers' understanding of the end of the 'contract' that governed labour relations previously, there are virtually no reports of protests directly against privatisation or against the state.<sup>228</sup> This is probably due to three reasons. First, as mentioned in the previous part, trade unions are generally in support of the government and its economic policies. As a result, anti-government and anti-privatisation forces are weak within the workers' milieu.

Second, as also mentioned in the previous part, workers have few links with political parties. This is an obstacle toward workers' understanding of their localised problems as part of a much larger whole which must be fought from various fronts. Without the ability to link reductions in incentives, to the rising cost of living, and even to the lack of democracy within the trade unions,

<sup>226</sup> ACPSS, *op. cit.*, pp. 432.

<sup>227</sup> Pripstein Posusney, 1994, *op. cit.*, pp. 233.

<sup>228</sup> I have counted only three such protests. See ACPSS, pp. 430–31; and *Al-Ahali*, 28 August 1996.

workers' protests will continue to be reactive and focused on immediate economic concerns.

Finally, since 1952, the state has developed a patrimonial relationship toward workers (which has been formalised by the corporatisation of the trade unions). In this relationship the state is like a patriarch always providing for its 'children'. The 'children' are absolved of any responsibility to act to safeguard their own livelihoods because, as government officials constantly remind them, "the state will guarantee workers' rights."<sup>229</sup> Indeed, measures such as the employee shareholder associations and the early retirement scheme may have convinced workers that the government is not neglecting their rights. Consequently, workers (as well as other segments of society) have a tendency to wait and see the outcome of government legislation, in the belief that the government will make things right in the end. The result of this strategy is that a concerted effort to reverse a negative piece of legislation often occurs years after the legislation was enacted.<sup>230</sup>

### *Informal Economic Activity and Moonlighting*

Informal economic activity and moonlighting are not new phenomena in Egypt. Their emergence as strategies used by workers to compensate for a decline in their standards of living can be traced back to the years of the *infatih*. Although the private sector had continued to exist under Nasser, mainly in the areas of agriculture and some light industry, it expanded enormously as a result of Sadat's liberal economic policies.

<sup>229</sup> For example, President Hosni Mubarak's May Day speech said that workers' rights would be protected and that the government would still retain responsibility for the lives of workers in privatised companies: see, *Al-Ahram*, 24 April 1996. The Egyptian delegation to the International Labour Conference, in Geneva, in June 1996, reiterated the same assurances: see, *Al-Ahram*, 7 June 1996. The minister of public enterprise announced that workers' profit-sharing rights would be retained, while the minister of Labour announced that the government's responsibility toward workers came before any economic considerations: see *Al-Gumhuriya*, 8 January 1997.

<sup>230</sup> A prime example of this, is the 1992 law liberalising agricultural land rents which gave tenants and owners a grace period of 5 years (until October 1997). It was not until the beginning of 1997 that tenant farmers began to react to the negative consequences of the law.



The *infatih* led to the creation of new types of private enterprise that had its roots in Egypt's new links with the Western world, such as import-export businesses and tourism. These types of businesses provided much more lucrative employment opportunities than had previously been available under the private sector.<sup>231</sup> In addition, the real estate boom of the 1970s led to increased employment opportunities for unskilled manual labour in the building industry. This type of employment was largely unregulated and of a temporary nature.<sup>232</sup> Moreover, returning workers from the oil-producing countries following the oil boom, set up their own small businesses, such as shops and restaurants, or bought taxis.<sup>233</sup> This expansion in private economic activity offered public sector workers the possibility of holding more than one job, although this was (and still is) illegal.

There are several definitions of the informal economic sector. Most studies on the subject characterise informal activity as any economic enterprise employing less than ten people.<sup>234</sup> JS Birks and CA Sinclair identify the informal sector as being small-scale and often family-based, utilising local materials and adapted technologies, being labour intensive, having no barriers to entry, and promoting the informal acquisition of skills.<sup>235</sup> Like moonlighting, the informal sector has grown under the wing of the private sector and the increased availability of capital from migration to the oil-producing states. Many informal economic activities are spin-off activities from the 'formal' private sector, such as craft and artisan activities for the

<sup>231</sup> Richards, Waterbury, 1991, pp. 243.

<sup>232</sup> See Ragui Assaad, 'The Structure of Egypt's Construction Labour Market and its Development Since the Mid-1970s', in Handoussa and Potter (eds.) *op. cit.*, pp. 125-63.

<sup>233</sup> A study of economic activity in six working class districts of Cairo found that 35% of owners of manufacturing enterprises had established their businesses with remittances from their work abroad. Günter Meyer, 'Employment in Small-scale Manufacturing in Cairo: A Socio-economic survey', *British Society for Middle Eastern Studies Bulletin*, vol. 14, no. 2, 1988, pp. 6.

<sup>234</sup> For a summary of the main definitions of the informal sector, see Soad Kamel Rizk, 'The structure and operation of the informal sector in Egypt', in Handoussa and Potter (eds.), *op. cit.*, pp. 168-70.

<sup>235</sup> cited in *Ibid.*, pp. 168.

tourism industry, and vegetable and fruit vending for agriculture, while others fill a gap in services and production that are not provided by the 'formal' economy, such as transport (microbuses, service taxis, etc.).

Whatever the link between the 'formal' and the 'informal' economies, the informal economy encompasses all types of economic activity, from manufacturing to services. This may be explained by the long-term and deep-rooted problem of the development of capitalism in Egypt. This problem is attributed to the way in which the Egyptian economy was incorporated into the world economy at the end of the nineteenth century. The British encouraged the export of raw cotton and stifled large-scale local manufacturing.<sup>236</sup> As a result, capitalist production relations have never managed to develop to the extent of erasing pre-capitalist production relations. The latter have continued to exist in the informal sector, articulated with capitalist exchange relations.<sup>237</sup>

There is a lack of reliable statistics on the current size of the informal sector, particularly in relation to the participation rates of public sector workers. However, Diane Singerman's study of a working-class Cairo neighbourhood in 1985 found that at least 38 percent of the neighbourhood's working population were employed in the informal sector as their primary source of income. However, the size of informal economic activity increased when people's secondary and tertiary sources of income were counted: 87 percent of the sample had second jobs in the informal sector, and 71 percent had third jobs.<sup>238</sup> Given that 63 percent of public sector workers had a second job, and at least 6 percent of these had a third job, the informal economy must have been absorbing a substantial percentage of the extra economic activity of public sector workers.<sup>239</sup> If it is possible to generalise from this small sample, then we have a picture where a large number of public sector workers in the 1980s moonlighted—some even having two jobs outside of their official job—and that an important source of this extra employment was in the informal sector.

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<sup>236</sup> Ayubi, 1995, *op. cit.*, pp. 91.

<sup>237</sup> *Ibid.*, pp. 41.

<sup>238</sup> Singerman, *op. cit.*, pp. 195.

<sup>239</sup> *Ibid.*, pp. 181–82.

In view of these indications that public sector workers have resorted to taking second or third jobs in the past, then it is possible that they will also use this strategy in the current period. The rising costs of living and the fall in real wages, in addition to increased job insecurity, experienced by workers since the onset of economic liberalisation and privatisation represent pressures to seek extra employment.<sup>240</sup> Meanwhile, other sources of additional income have been closed over the past few years due to the slowdown in the numbers of workers emigrating as a consequence of the downturn in the economies of the oil-producing states and the tightened immigration regulations of the European Union countries. Finally, economic liberalisation will no doubt boost the growth of job opportunities in the informal sector, as private economic activity is allowed to develop without the restraints that were formerly placed upon it.

Nevertheless, despite the ability of the 'informal' economy to generate much-needed extra employment and income unavailable within the 'formal' economy, this sector has many disadvantages for workers. To begin with it lessens the pressure on the state to ensure the creation of employment that is capable of paying a salary adequate to meet the basic costs of living. Furthermore, the informal economy is often characterised by low wages, and this constitutes one of the factors helping to keep wages down in the 'formal' economy, including the public sector.<sup>241</sup>

### *Clientelism and Family and Community Networks*

Clientelism describes informal ties in which goods and services are exchanged between people of unequal status (a patron and a client). As mentioned previously, the stability of the Egyptian state has been based until now upon its ability to function as a patron to its citizens, through the provision of welfare through the public sector. In addition, the state has used more 'informal' mechanisms to distribute its patronage, the most important of these being the ruling NDP.

However, clientelism exists outside the structures of the NDP, although it is usually linked to the state and the public sector in some way. For example, *id-dallalaat* (female peddlers) buy people's ration cards, and then bribe

<sup>240</sup> CTUWS, pp. 1-2.

<sup>241</sup> Singerman, *op. cit.*, pp. 239.

government food co-operative employees to sell them subsidised food in bulk, which they then resell on the black market at a profit.<sup>242</sup> Workers are fully integrated into such networks as a means of obtaining goods and services, in particular, subsidised food often unavailable through official or legal avenues due to the government's reduction in food subsidies since the middle of the 1980s.<sup>243</sup> Clientelist networks can also be used for finding jobs in the private/informal sector, or abroad, and for joining savings clubs. Women play a particularly important role in these networks.<sup>244</sup>

Members of clientelistic networks are usually linked by kinship (either real or imagined).<sup>245</sup> Therefore, the family and local community play an important role in maintaining the system of clientelism.<sup>246</sup> On a macro-level, this leads to a situation where vertical differentiation, along lines of family, kinship, community, religion, or ethnicity, become more important than horizontal differentiation such as class.<sup>247</sup> The two lines of linkage may become intermeshed. For example, workers in trade union elections vote for candidates from the same village of origin, believing that such a candidate is more likely to understand the problems they are facing.<sup>248</sup>

Economic liberalisation may be strengthening these vertical linkages. The reduction in the state's provision of subsidised goods and services coupled with the stagnating wages of many workers makes access to clientelistic

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<sup>242</sup> *Ibid.*, pp. 166–70.

<sup>243</sup> Mohaya A. Zaytoun, "Earnings and the Cost of Living: An Analysis of Recent Developments in the Egyptian Economy", in Handoussa and Potter (eds.), *op. cit.*, pp. 248.

<sup>244</sup> Evelyn A., *Early, Baladi Women of Cairo* (Boulder, Colorado: Lynne Rienner, 1993), pp. 183.

<sup>245</sup> Imagined kinship refers to deep relationships between people who are not blood-related. In Egypt, people refer to long-standing friends and acquaintances as 'brother'/'sister' or 'maternal aunt'/'maternal uncle', depending on the differences in ages.

<sup>246</sup> See Singerman, *op. cit.*, in particular Ch. 3.

<sup>247</sup> Ayubi, 1995, *op. cit.*, pp. 175.

<sup>248</sup> 'Abbas, Barakat, and Rif'at, *op. cit.*, pp. 8.

networks even more crucial as a means of securing survival. However, rather than clientelistic networks linking to the state, which is trying to reduce its costly patronage function, they may instead link to the increasingly important informal sector, or to civil organisations (discussed below) whose resources often come from informal economic activity or private donations.

Finally, the family plays another role for the workers, and the urban poor in general, in securing an adequate standard of living. A working-class household not only represents a group of related people living under one roof, but also a mini-work force that can be mobilised to increase a family's income. Whereas traditionally it has been the male members of the household who went out to work, women are also joining the work force in order to bring additional income into the family home. In extreme cases of poverty, children may also be sent out to work.<sup>249</sup>

### *Links with Civil Organisations*

Civil organisations have a long history in Egypt. However, since the 1952 Revolution, they have mainly taken the form of private voluntary organisations (PVOs) acting in the fields of social and health services. The vast majority of these PVOs are linked to and funded by mosques or churches. They also receive some financial assistance from the state, and are subject to state supervision over their activities, accounts, and the formation of their boards. This has greatly restricted the activities of these organisations and, therefore, they are not totally autonomous from the state as the term civil organisations implies.<sup>250</sup>

Three factors have led to the increased activity and expansion in the number of PVOs since the 1970s. First, the state's inability to supply the goods and services demanded by its citizens from the mid-1980s onward led to an increase in civil organisations providing health care, education, and other

<sup>249</sup> Shukr Allah, *op. cit.*, pp. 13–16.

<sup>250</sup> For a discussion of the role of PVOs in Egyptian society, see Moheb Zaki, *Civil Society and Democratization in Egypt: 1981–1994* (Cairo: Ibn Khaldoun Center for Development Studies, 1994), pp. 56–65. In reference to Law 32/1964 governing PVOs, see Khalil, *op. cit.*, pp. 167–70.



welfare services.<sup>251</sup> Civil welfare organisations offer much-needed services to residents of working-class neighbourhoods, where state-owned services are usually overstretched. Second, the growth of the private sector and the informal economy provided civil organisations with an independent source of funds. Third, the state's continued restriction of political participation has led to an increase in civil organisations which are used as a source of political mobilisation, particularly with regard to the Islamists.<sup>252</sup>

In addition to welfare-oriented organisations, there has been a noticeable increase in organisations concerned with human rights.<sup>253</sup> These organisations have attempted to lobby the government and raise awareness with regard to various rights, including those relevant to workers, such as the right to free association. Some of these organisations have programs that specifically deal with the rights of workers, such as the Center for Human Rights Legal Aid, which offers free legal aid to workers wishing to file complaints against their employers or the state. It has filed a number of cases to challenge the constitutionality of certain articles of Law 35/1976 on trade unions, dealing with trade union election procedures, the powers of the Ministry of Labour over the trade unions, and the freedom to form independent trade unions. If successful, the centre's actions could result in the law's repeal.<sup>254</sup> Another organisation which deals specifically with workers' issues is the Center for Trade Union and Workers' Services (*Dar al-Khadamat al-Niqabiya*), created following the upsurge in worker protests at the end of the 1980s. The centre is

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<sup>251</sup> Saad Eddin Ibrahim, *Egypt, Islam, and Democracy* (Cairo: American University in Cairo Press, 1996), pp. 253.

<sup>252</sup> Zaki, *op. cit.*, pp. 63.

<sup>253</sup> For example, the Egyptian Organization for Human Rights, the Cairo Institute for Human Rights Studies, the Legal Resource and Research Center for Human Rights, and the Center for Human Rights Legal Aid. It should be noted that none of these organisations are registered with the Ministry of Social Affairs in accordance with Law 32/1964. Instead, they are registered as civil companies. However, the Egyptian Organization for Human Rights, which is the only membership organisation, and therefore cannot register as a civil company, has filed a case against the Ministry of Social Affairs in order to allow it to register as a Law 32/1964 organisation.

<sup>254</sup> Interview with Gasser Abdel Razek, executive director of the Center for Human Rights Legal Aid, Cairo, 19 September 1997.

focusing on the development of the trade unions to meet the needs of its membership in light of the current changes. Its most recent activity, in co-operation with the French trade union, the CGT, is training for company trade unionists in negotiating wages and work conditions. This skill was not previously needed by trade unionists since the government determined all aspects of Labour relations.<sup>255</sup> However, this is no longer the case with the issuing of Law 203/1991 on public enterprise companies.<sup>256</sup>

The increase in civil organisations represents an important resource for workers seeking to protect their economic and political interests in the current period. The activities mentioned above have the potential to significantly improve workers' situation. However, the government still regards independent associations with suspicion, and so-called 'non-political' issues such as the distribution of goods and services, and the granting of rights have the capacity to challenge the legitimacy of the regime. Consequently, the government continues to closely monitor these organisations and is able to close down those of which it disapproves, using the wide powers granted the authorities by the emergency law and Law 32/1964 governing PVOs. Such a situation has limited the ability of civil organisations to forge close links with workers, and may continue to be an obstacle in the foreseeable future.

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<sup>255</sup> Interview with Kamal 'Abbas, head of the Center for Trade Union and Workers' Services, Helwan, 16 September 1997.

<sup>256</sup> See Ch. 2 here for details of Law 203/1991.

## CONCLUSION

The process of economic liberalisation is substantially altering the structures of corporatism laid in place during the Nasserist period. This process is a dynamic one—between state and society. As the state is forced to withdraw from its previous role, those who have benefited from the state's intervention in the economy, such as workers, attempt to shape their environment in order to secure their interests. Consequently, new patterns of politics are beginning to emerge.

The most significant impact that economic liberalisation is having on politics is in reducing the state's economic resources. This entails a loss of political power since the state has maintained its hegemony over society through the distribution of patronage through various channels. In terms of formal distribution mechanisms, the most important of these has been the trade unions. Trade unions were co-opted into the structures of the state as channels for state distribution, rather than as representatives of workers. During the expansionary phase of the state, this situation actually resulted in the granting of many benefits to workers. Now that the state is seeking to withdraw these benefits, the trade unions are incapable of protecting the interests of their membership. Instead, they generally act more as the state's representative among workers, trying to contain workers' protest actions.

The other important distribution mechanism for the state has been through its ruling party, the NDP. Although the NDP is a 'formal' political party, the party's function of distributing patronage is 'informal'. The ability of the state to replace formal political participation with patronage and clientelism has resulted in the marginalisation of the opposition political parties, whose resources could never match those of the ruling party. Individuals are more likely to vote for the candidate that can provide the goods and services that their community needs, than to vote for the candidate whose political platform they agree with.

The economic liberalisation process brings into question the ability of the state to continue to distribute its patronage through the above mentioned channels. Without the state's economic resources to sustain them, the trade unions and the NDP as they exist now will not be able to guarantee the state's hegemony. Some indications of the changing structures of corporatism are already apparent.

The decline in the ability of the trade unions to contain workers' protests is already visible through the increasing numbers of strikes in public sector companies. These strikes are predominantly organised outside of the official trade unions. However, in some cases, these protests are being supported by the company unions, illustrating the extent to which the trade union structures are fragmenting. The increase in workers' protests are a threat to the government, not because workers' demands are in any way revolutionary, but simply because the mere existence of strikes in the public sphere reflects the loss of state hegemony in workers' eyes.

The creation of employee shareholder associations may be one way for the government to guarantee continued political quiescence. However, this structure is by no means as reliable as the official trade union structure. To begin with, shareholders possess some measure of economic power through the owning of shares, which they may be able to translate into political power. More dangerous for the regime is the fact that by creating ESAs, the state is tying its fortunes to those of the stock market. If the collapse of a pyramid savings scheme could topple the in Albania, it is possible that a collapse in the stock market could badly dent the legitimacy of the Egyptian government.

The second indication of changing structures is the extent (albeit limited until now) to which the Egyptian Businessmen's Association has managed to make inroads into the NDP. The continuation of this trend will provide the state with a new base of support, as well as access to the economic resources of this class of private entrepreneurs. However, in the process, the regime may have to compromise its current monopoly over decision-making. In addition to this, the business community will provide a much narrower base of power for the regime than was previously enjoyed.

Nevertheless, two aspects of the current situation work in the state's favour to compensate for the drawbacks of the new structures. First, the government has built strong ties with foreign donors, such as the US and the IMF, who have an

interest in seeing economic liberalisation succeed. The most important prerequisite for this is continued political stability. Therefore, foreign donors have supported Egypt's economic policies by giving economic assistance, which the state is able to dispense to those parts of society it wishes to co-opt. Secondly, where persuasion fails, the government can coerce the population through its huge security apparatus, which is responsible for clamping down on strikes and other protests, as well as monitoring the activities of opposition political parties and civil organisations.

For workers, economic liberalisation has short-term negative effects, but potentially long-term positive effects. In the short-term, workers are experiencing a deterioration in their standards of living, as they lose their rights to bonuses and incentives, holidays, and even employment security. Currently, workers are able to seek redress in the courts where an employer violates labour legislation. However, once the new draft labour law is passed, workers will no longer have that option. With the decline in the trade union structures, and the continued restrictions on political freedom, we have a situation where the formal structures of the corporatist state are no longer able to contain workers' dissent, except through the ESAs and the early retirement scheme. However, these two mechanisms currently have a limited constituency. ESAs are only operational in companies which have sold their shares, and these companies are still a minority. Meanwhile, the ERS is only available for male workers over the age of 50 and female workers over the age of 45.

The state's inability to create comprehensive formal mechanisms that can channel workers' grievances means that many workers have turned to informal mechanisms, such as unofficial protests, family and community networks, the informal economy, and civil organisations, in order to protect their interests. This is a potentially positive trend since informal mechanisms have advantages over formal mechanisms. They are autonomous from state control, and generally more inclusive than formal mechanisms—for example, ESAs or the ERS. Although, it should be noted that some informal networks rely on kinship and community ties, and in this sense they have the potential to be exclusive.

Economic liberalisation boosts the process of the 'informalisation' of politics, since it entails a process of privatising economic power, and hence political power. The liberalisation of the economic sphere allows more economic



resources to escape from the control of the state. Already, the limited economic liberalisation from the 1970s onward has opened the way for the autonomous accumulation of wealth and the growth of the informal economy. Although it is not workers that have created this 'second sector', they represent a large number of the beneficiaries, either as employees in the informal economy or as consumers of the services of civil organisations. Many scholars have pointed to the potential for this trend to erode the state's authority since it demonstrates the ineffectiveness of government economic policies and provides resources for non-state actors to challenge the government.<sup>257</sup> This point is illustrated by the growth in Islamist-run civil welfare organisations funded through mosques, together with the 'Islamist' businesses set up by returning migrants from the Gulf states from the 1970s.

However, this optimism about the informalisation of politics should be tempered by an observation on the current nature of politics. As noted before, political parties, and civil and political freedoms in general, are highly restricted in Egypt. As a result, politics in Egypt has become dominated by the state's agenda for distributing economic resources, rather than concepts of political participation in the process of deciding who receives these economic resources. Economic liberalisation and the informalisation of politics are challenging the state's monopoly over the structures which currently distribute resources. However, there is no vision of what shape these new structures will take and what their goals should be. Without an organisational and ideological framework of political parties promoting a vision of society, informal political responses will be unable to progress beyond their current fragmented and localised nature. Such structures may enable workers to obtain more economic resources than would be possible through the current formal channels, but they will not be able to achieve long-term, guaranteed standards for workers, such as freedom from arbitrary dismissal, minimum wages, and minimum holiday leave. To see the informalisation of politics as a solution to state control over workers' actions, is to miss the point that the ultimate protection of workers' interests lies in the creation of a legislative framework that supports both their economic and political rights. In other words, more state intervention, rather than less state intervention, is needed in the legislative sphere, but in a way that supports political freedoms. This alone will give workers the opportunity

<sup>257</sup> For example, see Singerman, *op. cit.*, pp. 243.

to build on current informal mechanisms and protests to create organisations able to guarantee their long-term interests.

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## APPENDIX

Table 1: Privatisation of Public Sector Companies by Method, until March 1997

Method	1991	1992	1993	1994	1995	1996	Mar 1997	Total
IPOs <sup>†</sup>	-	-	-	-	-	15	4	19
Liquidations	4	2	1	1	2	1	-	11
ESAs <sup>‡</sup>	-	-	-	10	-	-	-	10
Anchor investors*	-	-	-	3	-	3	-	6
Total	4	2	1	14	2	19	4	46
% of total	9	4	2	30	4	42	9	100

Source: Public Enterprise Office, compilation by International Business & Technical Consultants, Inc, *BTCI Quarterly Review* Jan-Mar 1997 (Cairo: IBTCI, 1997), pp. 1.

<sup>†</sup> Initial Public Offerings: share offerings to the public through the stock market.

<sup>‡</sup> Employee Shareholder Associations: see later in this part for further details.

\* One investor or a group of investors who buy a controlling stake in a company.

Table 2: The Number of Workers' Protests, 1986-1993

Year	Number of protests
1986	13
1987	4
1988	16
1989	21
1990	12
1991	9
1992	24
1993	25

Source: Huwayda 'Adli, *al-Haraka al-'ummaliya wa aliyat muqawamat al-ifqar: 1987-1993* [The labour movement and the mechanics of resisting impoverishment: 1987-1993] (Cairo: Centre for Trade Union and Workers' Services, 1997), pp. 4-5.

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